

## Alaska Legislative Budget Handbook

PROVIDED BY THE ALASKA LEGISLATIVE FINANCE DIVISION

For Legislators and Legislative Staff

NOVEMBER, 2006





This publication was produced by the Legislative Finance Division in November, 2006. The Legislative Finance Division provides services necessary to analyze and produce the state's budgets.

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## Legislative Finance Division



The primary function of the LFD staff is to support the finance committees during the development of the state budget.

The Legislative Finance Division (LFD) serves the legislature with a nonpartisan staff. The Division's fiscal analysts, under the supervision of the Legislative Fiscal Analyst (director), provide technical analysis and evaluation of agency and governor budget requests and legislative proposals.

Legislative Finance Division analysts operate under a policy of confidentiality. All budget work and personal requests by legislators and aides are confidential until released by the requestor (or discussed at a public meeting). The LFD analysts respond to requests for information from all legislators; analysts provide similar information in response to similar requests.

The primary function of the LFD staff is to support the finance committees during the development of the state budget. Analysts must:

 Develop and maintain working relationships with subcommittee chairs and staff, with agency heads and directors and with the governor's budget staff.
 Analysts must thoroughly understand programs, policies, and proposals in order to

- determine their role in the budget process.
- Maintain a comprehensive budget database for budget production and reporting throughout the legislative budget process.
- Monitor legislation with significant fiscal impact (i.e., those with fiscal notes) and insert approved fiscal notes into an appropriation bill (usually the final operating budget bill).
- Provide the Legislative Budget & Audit Committee with detailed analyses of revised program requests and objective recommendations when appropriate, and enter actions in the data system.
- Perform special reviews of agencies, programs and issues.
- Respond to information requests from all legislators and from the public.

## **Specialized Duties**

In addition to specific agency operating budget assignments, individual analysts are responsible for various statewide issues. Specific agency assignments and specialized duties of each analyst are listed in this section.

- Capital Budget Coordination: Work directly with finance committee chairs and their staff to develop the capital budget; coordinate the production of capital appropriation bills; maintain capital budget backup files; assist with planning and ongoing adjustments to the LFD capital budget database and report formats; point of contact for all capital appropriation issues.
- Operating Budget Coordination: Coordinate
  development of the operating budget by compiling
  individual agency budgets into appropriation bills;
  compile final appropriation data for the Summary of
  Appropriations; coordinate special assignments of a
  statewide nature; assist with planning and ongoing
  adjustments to the LFD operating budget database
  and report formats; coordinate development of
  budget "how-to" handbook and other publications.
- Revenue Analysis: Provide staff expertise on revenue and economic issues; serve as staff expert on loan and state bond programs, including debt service requirements and on tax policy and taxation issues; operate and maintain economic/revenue models; provide staff expertise on the Alaska Permanent Fund and state investment and interest earning policy generally.
- Supplemental Budget: Monitor statewide supplemental appropriation bills and coordinate statewide analyses of supplemental requests; maintain central supplemental backup files.

- Fund Tracking: Prepare
   analyses and regular updates
   on special funds to ensure
   that over-appropriation does
   not occur; track the amount
   of available funding and
   the amounts appropriated
   throughout the budget process.
   Examples: Corporate Dividends,
   Investment Loss Trust Fund, and
   the Tobacco Settlement Fund.
- Fiscal Notes: Track bills with attached fiscal notes; work with appropriate legislative staff to ensure that the desired fiscal notes are included in an appropriation bill.
- Fiscal Summary: Update the fiscal summary in December (when the Governor's budget request is received) and in June (when the final budget is adopted).

## **Legislative Finance Division**

## Agency and Special Assignments

David Teal, Director/Legislative Fiscal Analyst Kelly Cunningham, Administrative Officer		
Agency Assignment	•	
Administration		
Commerce, Community & Economic Development		
Corrections		
Court System		
Education & Early Development		
Environmental Conservation		
Fish and Game Governor's Office	•	
Health & Social Services		
Labor & Workforce Development		
Law		
Legislature		
Military & Veterans Affairs		
Natural Resources		
Public Safety		
Revenue		
Transportation & Public Facilities		
University of Alaska	•	
	n Dannen Traces IIIIII	
Special Assignments	Analyst	Phone
Capital Budget Coordinator	Rob Carpenter	465-5413
Operating Budget Coordinator	Amanda Ryder	465-5411
Revenue Analysis	Rob Carpenter	465-5413
Supplemental Budget	Amanda Ryder	465-5411
Fund Tracking	Amanda Ryder	465-5411
Fiscal Notes	Anna Kim	465-5410
Fiscal Summary	Vacant	465-5432

## Fiscal Analysts

Fiscal Analyst	Agency/Assignment	Phone
Rob Carpenter	. Transportation & Public Facilities, Revenue, Capital Budget Coordinator, Revenue Analysis	465-5413
Anna Kim	. Health and Social Services, Labor & Workforce Development, Natural Resources, Fiscal Notes	465-5410
Amanda Ryder	. Commerce, Community & Economic Development, Fish & Game, Operating Budget Coordinator, Statewide Issues, Supplemental Budget, Fund Tracking	465-5411
Vacant	. Courts, Corrections, Law, Public Safety, Military & Veterans Affairs, Fiscal Summary	465-5432
David Teal	. Governor, Legislature	465-3002
Danith Watts	. Administration, Education & Early Development, Environmental Conservation, University of Alaska	465-5435

## purpose of this guide







#### **Tips & Information:**

This publication's sidebars contain tips and information for finance committee aides as they analyze the budget and navigate the budget process.

#### Handbook Purpose

The Alaska Legislative Budget Handbook is designed to provide legislators and aides with a step-by-step budget primer. It will help you understand the appropriations (budget) process and will give you the necessary tools to develop a budget.

This publication is organized in the following way:

#### Operating Budget.

Because the operating budget bill is scrutinized more intensely than other appropriation bills (and is worked on by more people), this publication begins with a look at the operating appropriations process. The process is broken into three pieces: pre-session activity, session activity, and post-session activity.

- Capital Budget. A step-by-step primer to help the reader work through the development of the capital budget.
- Supplemental Budget.
   General information on appropriations affecting the current fiscal year.
- Budget Resources.
- Fund Sources and Fund Groups. How and why they are created.
- Appropriation Law.
   Article IX of the Constitution and Alaska Statutes.
- · Glossary.

## general information

#### **Alaska's Appropriation Process**

Both the governor and the legislature play major parts in the appropriation (or budget) process. The Alaska Constitution requires the governor to submit a budget and associated appropriation bills for the next fiscal year and a bill (or bills) covering new or additional revenue recommendations (Article IX, Section 12), and it bestows the power of appropriation to the legislature. Article IX, Section 13 mandates that no money can be withdrawn from the treasury except in accordance with appropriations made by law. Alaska is one of several states in which federal receipts cannot be spent without an appropriation.

The governor typically submits five appropriations bills for legislative consideration:

- the operating budget bill;
- the mental health bill (containing operating and capital mental health appropriations);
- two supplemental bills (one fasttrack and one slow-track); and
- a capital bill.

The bills the legislature usually passes are the operating budget bill, the mental health bill, the fast-track supplemental bill, and the capital bill (although informally called the capital bill, it has become an omnibus bill containing appropriations for capital projects, operating items, supplementals, and repeal/reappropriations of prior-year appropriations).

Major appropriations bills typically contain two major parts—a numbers section and a language section. The **numbers section** is generated by the Legislative Finance Division using software that summarizes thousands of database transactions. The bill shows only the sums of these transactions arranged by appropriation and allocation within each agency. When the numbers section of the bill is complete, LFD sends the bill to the Legislative Legal Services Division where the language section is attached.

The **language section** (generated by Legislative Legal Services Division) typically appropriates funding that is



#### **Appropriation:**

An appropriation is specific statutory authorization to spend funds for a stated purpose. However, when many people speak about appropriations, they are referring to the bold type within the numbers section of an appropriations bill.

#### general information

a bit more difficult to specify, such as an open-ended appropriation of funding from the federal government for fighting fires (the amount needed is unknown until the end of the fire fighting season).

Each appropriation bill contains one (or more) of the following types of appropriations:

- Operating—Annual
   appropriations covering ongoing
   operations of state programs.
   Operating budget appropriations
   are made for a fiscal year
   and any unexpended and
   unobligated funds typically lapse
   at the end of the fiscal year.
- Capital—An appropriation for items that have an anticipated life that exceeds one year and that usually cost more than \$25,000. Capital budget appropriations lapse only if funds remain after the project is completed.
- Supplemental—An appropriation increasing or decreasing the operating or capital budget for the current fiscal year.
- Repeal/Reappropriation—
   These appropriations typically change a previously authorized

- capital project to reflect title change or purpose, or to utilize a potentially lapsing balance for a new project. Operating reappropriations are rarer, but some occur nearly every year.
- **Fiscal Note**—Fiscal notes are usually prepared by agencies affected by new bills. They specify funding sources and amounts associated with new legislation, but money identified in a fiscal note cannot be spent unless it is appropriated (usually in the operating budget). For detailed information on fiscal notes, please see the Fiscal Notes section in this publication beginning on page 27.



## Appropriations and Appropriation (or Budget) Structure

It is difficult to have a meaningful conversation about state budgeting without using the term "appropriation." Understanding what an appropriation is and why there are separate appropriations in a budget bill is vital to understanding the appropriation process. The following questions about appropriations are commonly asked.

What is an appropriation?

An appropriation is specific statutory authorization to spend funds for a stated purpose. However, when many people speak about appropriations, they are referring to the bold type within the numbers section of an appropriations bill. As shown in the sample page to the right, an appropriation bill reflects an appropriations structure (or budget structure).

## Appropriation (or budget) structure.

The numbers section of a budget bill contains a budget structure for each agency that is broken out by appropriations and allocations.

**Appropriations** appear in bold. Funding in one appropriation cannot be used in any other appropriation. In the sample page, the bold words and numbers indicate that the Village Public Safety Officer

			Approl	priation	General	Other Funds	
				Items	Funds	Funus	
	1		Allocations				
	2	. Durani of	4,888,000				
	3	Alaska Bureau of					
	4	Investigation  AK Bureau of Alcohol & Drug	2,242,600				
\	5	Enforcement	11,619,300				
1	6	AK Bureau of Wildlife	11,619,500				
1	7	Enforcement	600				
1	8	Aircraft Section	2,832,600			117,700	1
1	9	Marine Enforcement	3,390,200	5,803,100	5,685,400	117,700	1
1	10	Village Public Safety Officer		3,00-7			1
1	11						1
- 1	12	Program	5,436,400				- 1
1	13	VPSO Contracts	366,700			990,000	- 1
١	14	Support Alaska Police Standards		990,000			
	2 :	The amount appropriated of and unobligated balance on AS 12.55.039, AS 28.05 18.65.220(7). Alaska Police Standards	151, and AS 25 990,000	0.25.074 and	0540	- 15 400	
	- 1		lence			, to th	is
		<ul> <li>and Sexual Assault</li> <li>Notwithstanding AS 43</li> <li>appropriation under AS</li> <li>Assault may be used to fi</li> </ul>	23.028(b)(2), up 43.23.028(b)(2) to und operations and	grant adminisi ouncil on Doi	mestic Violence	and Sexual Assa	ult the
		28 It is the intent of the leg	ant funds awarded	to the Counc al grant awa	il in federal fisc rds in state fisc	cal year 2005 to	the
ple	e \	grants and services rec maximum extent allows Council on Domestic Violence and Se	9,39	9,400			
~ ~		CCS HB 375, Sec. 1		-30-			
er							

Program, the Alaska Police Standards Council, and the Council on Domestic Violence and Sexual Assault are appropriations.

**Allocations** are indented and appear in non-bold type and are sub-units of appropriations. Allocations are expenditure quidelines for a state program and agencies can move money freely between allocations within an appropriation. For instance, funding from the Alaska Bureau of Investigation allocation can be used in the AK Bureau of Alcohol & Drug Enforcement allocation. However, none of this funding could be used in the VPSO Contracts allocation because the VPSO Contracts allocation is in a different appropriation (i.e., the Village Public Safety Officer Program).



Beginning in FY05, OMB submitted the Governor's budget with an organizational structure containing "Results Delivery Units" (RDUs) instead of appropriations and "components" instead of allocations. Although the RDUs and components typically align with appropriations and allocations as they appear in the operating bill, the Legislative Finance Division works with a budget structure comprised of appropriations and allocations rather than an organizational structure comprised of RDUs and components.

## Why is an appropriation structure so important?

The power of appropriation resides in the legislature. However, agencies have substantial flexibility in determining how money is used after it is appropriated; as noted above, agencies can transfer money freely between allocations within an appropriation. They can also use money appropriated to them for any purpose that is consistent with the responsibilities/mission of the allocation/appropriation (unless specifically limited by language in the bill). The point is that the power of appropriation is less specific than many people realize.

Structure can be used to increase the strength of the legislature's hand. Breaking appropriations into smaller pieces reduces agency flexibility. As an extreme example, the legislature may make a grant the only item in an appropriation. The agency could not increase the grant by moving other money across appropriation lines, and could not use the grant money for any other purpose. Structure is a way of ensuring the funding desired for one program cannot be used in another. Note, however, that the legislature cannot make an agency spend money for a particular purpose; they can only ensure that the money can't be spent for other purposes.

## Why is language inserted into the numbers section of the budget?

In addition to appropriations and allocations, language (commonly called wordage in order to differentiate it from the language sections of the bill) is inserted into the numbers section of the bill. Wordage in an appropriations bill is typically one of two types:

#### • Conditional Language

Conditional language has the force of law and is placed in the appropriation or allocation where the law applies. For instance, in the sample page of the bill, to increase funding available for grants, conditional language under the Council on Domestic Violence and Sexual Assault appropriation limits the operations and grant administration costs to 10% of the total funding appropriated.

#### • Intent Language

Intent language is a stated goal of the legislature in enacting legislation and always begins with "It is the intent of the legislature...." Intent does not have the force of law, but it may be used to interpret statutory language.

## general information

## Why doesn't the bill show line items?

Including line items in the bill would be informational only and would make the budget bill look more complicated than it already is. Line items in a budget indicate how the agency plans to spend appropriated funding (i.e., on personal services, travel, services, commodities, capital outlay, grants and benefits, or miscellaneous line items). As previously noted, agencies have substantial flexibility in determining how money is used after it is appropriated. As well as transferring money freely between allocations within an appropriation, agencies can also transfer funding between line items. For instance, if an agency's copier breaks and funding in the services line is tight, the agency can move funding from its travel line (or any other line) to its services line to repair the broken copier. For more information on line items please see information on the Governor's Budget Request Books in the "Budget Resources" section of this publication beginning on page 49.

Why aren't positions included in **the budget bill?** Positions are not included in the budget bill for the same reasons that line items are not included. Although the legislature may appropriate funding to an agency with the expectation that the funding will be used for a certain number of positions, the agency has complete control over which (and how many) positions are in the budget. Sometimes legislators target a specific position for elimination without realizing that even if the position is eliminated on paper, the agency can still retain that position if desired. Putting position information in the budget would be informational only and would simply make the budget appear more complex than is necessary.



Appropriation structure can be used to increase the legislature's control over the budget.

Breaking appropriations into smaller pieces reduces agency flexibility.

## operating budget process

Alaska's budget process is continuous and iterative, involving all levels and branches of government. Those involved in the budget process deal with different references of time - looking backward to gain from experience, implementing and monitoring the current year budget, and planning for future public needs.

Preparation of the operating budget begins long before the legislature convenes. This chapter breaks the budget preparation process into three distinct phases:

- 1 Pre-Session Activity
- **2** Session Activity
- **3** Post-Session Activity

Before delving into the details of each phase, please look at a diagram of the typical operating budget process on the next page.

On December 15th of

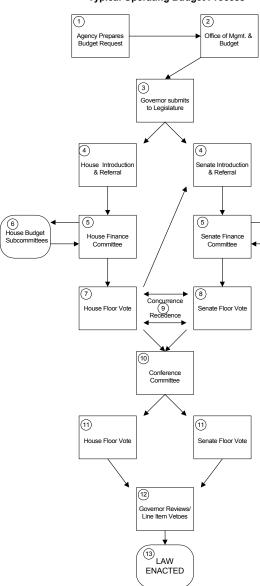
each year, the governor must submit the proposed operating, capital, and mental health appropriation

bills to the legislature.

#### **Typical Operating Budget Process**

6 Senate Budget

# Typical Operating Budget Process



- 1 State agencies prepare their budgets during the late summer and fall of each year and submit them to the Governor's Office of Management and Budget (OMB) for review in November.
- ② OMB checks agency requests for accuracy and format and prepares recommendations to the Governor.
- 3 The Governor reviews, sets budget amounts and submits the appropriation bill and budget documents to the legislature by December 15. This has generally been a draft bill with the actual bill referred to the House Rules Committee prior to the State of the Budget Address. The Governor may submit budget amendments through the 45th day of the session.
- The House and Senate Rules Committees introduce companion bills (HB & SB) which receive their first reading and are referred to House and Senate Finance Committees, respectively.
- The House and Senate Finance Committees receive the bill. Though work usually progresses simultaneously, the House typically acts on the bill first, then submits its version to the Senate.
- **6** The finance committees appoint subcommittees that work on each department's budget. These subcommittees submit recommendations to the full finance committees. Each finance committee finalizes the budget by department and moves a committee substitute bill out of committee.
- 7 The bill goes to the floor of the House in second reading and can be amended at this point. The bill is then moved to third reading, voted on, and sent to the Senate.
- **8** The Senate Finance Committee completes its work and sends its own committee substitute to the floor of the Senate, where it can be amended and then voted on.
- The Senate version is sent back to the House for concurrence. Typically, the House does not concur, but asks the Senate to recede from their amendments. The Senate usually does not recede, and a conference committee is appointed.
- (10) (11) The Conference Committee works out a compromise version of the budget and sends this version to the House and Senate floors for the final vote.
- (12) After the bill's approval by both houses, the bill is sent to the Governor, who has 20 working days (excluding Sundays) to review the bill and exercise his line item veto power, if he wishes to do so.
- (13) The bill becomes law and is typically effective on the first day of a fiscal year, but most appropriations bills contain sections with other effective dates.

#### operating budget: pre-session

## 1 Pre-Session Activity

#### **Agency Budget Requests**

The budget process begins with agency requests to the Office of Management and Budget (OMB). Departments usually request the funds necessary to continue current program levels (existing staff and support costs, debt service, and formula driven programs), but an agency budget may include new or expanded programs and possibly consolidation, reduction or elimination of existing programs.

#### **Governor's Budget Request**

Individual agencies are not in a position to determine how their priorities fit within available state funds. Prior to establishing the Constitutional Budget Reserve Fund (CBR), agencies requested what they believed they needed to carry out their mandates. It was the role of the governor to prioritize these needs within available funds and to propose a balanced spending plan to the legislative branch. Since the creation of the CBR in 1991, the governor continues to review agency requests, but often relies on withdrawals from the CBR fund to balance the budget.

Until the early 1990s, the governor's budget submission included each agency's request. In more recent years the governor has submitted the budget without agency requests so that differences between agency requests and the governor's request are no longer obvious.

On December 15th of each year, the governor must submit [AS. 37.07.020(a)] the proposed operating, capital, and mental health appropriation bills to the legislature. Concurrently, OMB sends the Legislative Finance Division (LFD) the records of changes (in the form of budget transactions) from the prior year budget to the proposed budget. The operating budget transactions for the mental health bill are included with the other

operating budget transactions. By early January the governor releases more detailed budget information in two ways: on the OMB web site, and in a set of books (OMB calls them the *Governor's Budget Summary Books* but they are also referred to as the *Governor's Detailed Budget Books*). For more information on the content of these books, please see the "Budget Resources" section in this publication beginning on page 49.

## Legislative Finance's Analysis of the Governor's Budget Request

When the budget bills (and transactions showing changes from the prior year) are received from OMB, the LFD staff begins their review and analysis. When the analysis is complete, the Legislative Finance Division publishes:

- The Governor's Budget Request Books (also known as the Governor's Short Forms). These books are the working documents used by the legislature to review the governor's budget. The information in these books is summarized by appropriations and allocations and includes position counts, line items, and dollar figures for the prior year, current year, and the request year.
- The Legislative Fiscal Analyst Overview of the Governor's Request. This booklet is a narrative overview of the major changes in each department's budget as well as a general discussion of the Governor's budget request. For more information on what these publications contain, please see the "Budget Resources" section in this publication beginning on page 49.



#### Conducting a Detailed Analysis of the Governor's Budget Request

**Talk to staff** previously assigned to the budget to become acquainted with past approaches in the analysis and committee decision making process (before deciding where you are going, it is helpful to know where others have been).

#### Analyze PROGRAMS as well as the FUNDING

**level.** The typical base for funding comparisons is the legislatively approved level (as adjusted within executive branch authority). Generally, this information appears in the previous year's "Management Plan" column.

When reviewing a program's **funding**, consider the following:

- 1. Is it consistent with the existing approved level?
- 2. Does it include expenditures that were originally approved on a nonrecurring basis?
- 3. Are there existing activities that may be less essential than new programs or expansions?
- 4. Are there activities that should be eliminated or would be better performed by another agency (state or local)?

When reviewing a requested funding increase due to an **increased workload**, consider the following:

- 1. Is the projected workload increase self-generated, i.e., are activity levels controllable by the agency or do they truly reflect increased demand by the public or other beneficiaries?
- 2. Is the proposed volume consistent with workload patterns of recent years and adequately justified?
- 3. Are the levels of staff, support costs, and facilities accurately related to workload/staffing ratios, economies of scale, and/or seasonal peaks/ valleys? The existing capacity to absorb increased workload should be considered first.
- 4. What is the impact if the increase is not approved? What if the requested service level is not provided?

When reviewing **programs** consider the following:

#### **Program Adjustments:**

Was a prior year increment intended for continuation or was it considered a one-time measure to meet an emergency need that is no longer critical?

#### operating budget: pre-session



#### Conducting a Detailed Analysis of the Governor's Budget Request continued

#### **New Programs:**

- 1. The appropriateness of the agency to perform the service--is it presently provided by, or should it be provided by, another state agency, local entity or private organization?
- 2. Are there revenue sources that may be available to defray the costs of implementing the new program, i.e., user fees?

#### **Program Improvements:**

- 1. What is the product or effect?
- 2. Why is it proposed and what (who) originated the demand?
- 3. What is the impact on existing programs?
- 4. What criteria were used to develop staff and support costs? Are they valid?
- 5. History--was the proposal previously considered and denied? Why?
- 6. Is the improvement a higher priority than an existing program?
- 7. Have future costs and benefits been considered?

#### **Reduced or Eliminated Programs:**

- 1. The impact of the services that will be eliminated.
- 2. Whether an action would increase costs in another program or agency (state or local).
- 3. Whether statutory changes are necessary.
- 4. Alternative programs and alternative actions.

If a funding increase is requested for the **operation of new facilities** consider the following:

- The status of the capital project--is the capital project already approved or is the request contingent upon a future appropriation? If under construction, what is the latest estimate on when it will come on line?
- 2. What standards or other verifiable information is available to support the estimated operating costs of the facility?
- 3. Are offsetting savings available and, if so, are they reflected in the request?

## 2 Activity During Session

The Alaska Legislature is required by statute (AS 24.25.090) to convene in regular session annually on the second Monday in January (except after gubernatorial elections when the legislature convenes on the third Tuesday in January). The legislature is comprised of 20 senators and 40 representatives. Each body has a finance committee. The House Finance Committee has eleven members. The Senate Finance Committee has seven members. As committees of general fiscal referral, the House and Senate Finance Committees receive all appropriation measures, all revenue measures, and all bills having significant fiscal impact.

#### **Finance Subcommittees**

For the purpose of holding budget hearings and developing specific budgetary recommendations, the finance committees have established subcommittees for each agency's budget. The House and Senate Finance Committee co-chairs typically set agency fund targets (normally general fund targets) that the subcommittees are expected to meet. House and Senate targets may differ; targets are the prerogative of each co-chair.

Subcommittees are charged with reviewing the governor's request, hearing testimony by agency personnel and other interested parties, and developing budget recommendations to be presented to the full finance committee. At the direction of the operating co chairs, subcommittees may look only at the numbers section (section 1) of the bill. Language sections, most of which deal with statewide issues, are often reviewed and revised by the finance co-chairs.



## Preparing for and Running Effective Subcommittee Meetings

DO NOT DELAY. The earlier you organize your subcommittee schedule, the greater the probability of obtaining preferred meeting times and locations (meeting rooms are at a premium) and of ensuring the availability of appropriate agency personnel. Subcommittee chairs may wish to hold joint sessions with their subcommittee counterpart in the other body, especially early overview sessions.

Please work with your Legislative Finance fiscal analyst when scheduling subcommittee hearings/ overviews. Your analyst also serves other House and Senate finance subcommittees; including him or her in the scheduling process will help eliminate conflicting meeting schedules.

If there are issues for which you wish to have a special briefing (e.g., the impact of national health care reform on Alaska health care program or the status of the state's compliance with the federal Clean Air Act requirements) be sure to include those meetings in your scheduling to assure attendance by all involved parties.

continued on next page



#### Preparing for and Running Effective Subcommittee Meetings continued

#### **Before Subcommittee Hearings Begin**

#### 1. Meet with your Legislative Finance analyst.

Your analyst can give you a briefing on major agencyspecific issues and events from last session, issues anticipated to be brought forward by the agency, and issues that have developed over the interim (e.g., RPL's, and internal reorganizations).

#### 2. Do your homework.

- a. Read relevant portions of the Legislative Finance publication, *Overview of the Governor's Request.*
- b. Read your agency's *Governor's Budget Request Books* (also known as the *Governor's Short Forms*), which are generated by Legislative Finance. These publications highlight changes from the previous session's Conference Committee action so you know what changes occurred and why.
- c. Read and understand the *Governor's Budget*Summary Books (also referred to as the *Governor's*Detailed Budget Books).
- d. Look at your agency's web sites.
- 3. Prepare a list of possible questions and have agency respond to questions prior to (or at) the meeting. At least three days in advance of each scheduled finance subcommittee meeting, work with your Legislative Finance analyst to prepare a list of possible questions relevant to the program or division staff scheduled to testify. Directing questions to the agency prior to the meeting enables the agency to obtain answers

from the most knowledgeable agency staff, and ensures answers that are more complete and accurate.

## 4. Working through the Subcommittee Hearings Agency Handouts.

Agencies typically have overview information prepared for distribution to subcommittee members. Insist that your agencies provide your office with copies of what they plan to distribute at the hearing NO LATER THAN 24 HOURS BEFORE A SUBCOMMITTEE HEARING. This allows time to distribute the information to all subcommittee members (and your Legislative Finance analyst) in advance of the hearing, giving subcommittee members time to formulate questions.

#### **Fiscal Information from Legislative Finance.**

Upon receiving the governor's operating budget request, your Legislative Finance analyst will prepare a report tracking all changes from the final Conference Committee action last session. Work with your Legislative Finance analyst so that you know what changes occurred and why.

## 5. Subcommittee Reports, Narrative, and Draft Bill Subcommittee Narrative.

Along with a standard set of reports prepared by Legislative Finance, the subcommittee chair submits a narrative describing the subcommittee's budget recommendations to the full finance committee. Prior to submitting the narrative to the co-chair, it is helpful to have your Legislative Finance fiscal analyst proof it to make sure the narrative is consistent with subcommittee actions as reported by LFD.

## Subcommittee Reports, Narrative, and a Draft Bill for the Full Finance Committee

#### Standard Subcommittee Reports.

In general, the finance committee co-chairs prefer "standardized" subcommittee reports prepared by LFD staff. Although Excel sheets are great tools for summarizing appropriation levels, experience has shown that spreadsheets do not always translate to a bill as well as the preparer had hoped. Standard reports ensure:

- 1. Consistent and accurate presentation of subcommittee actions;
- 2. Smooth transition to full committee action; and
- 3. Improved access (for web posting).

The standard subcommittee reports include:

- Agency Totals—highlights "big picture" changes in funding, positions, and line items
- Appropriation Summary (general funds only)—at the appropriation/allocation level, this report highlights changes in general funds
- Appropriation Summary (all funds)—at the appropriation/allocation level, this report highlights funding changes of all funds
- Transaction Comparison—lists the individual transactions generating the funding/position changes from one stage of the budget to the next
- Wordage Report—Language that is inserted in the numbers section of the operating budget bill. Wordage in an appropriations bill is typically conditional or intent language.

#### **Subcommittee Recommendations Narrative.**

Along with the standard reports, the subcommittee chair submits a narrative describing the subcommittee's budget

recommendations to the full finance committee. Prior to submitting the narrative to the co-chair, it is helpful to have your Legislative Finance fiscal analyst proof it to make sure the narrative is consistent with subcommittee actions as reported by LFD.

#### Subcommittee Draft Bill.

The LFD drafts a bill incorporating the subcommittees' recommendations and the co-chairs' language recommendations, which the full finance committee typically adopts as its working draft.

## Finance Committee Closeout Procedures

After the subcommittees' substitute bill is submitted to the full finance committee, public testimony is heard and the finance committee members prepare amendments. **Using the amendment template on LFD's web site**, both majority and minority finance committee members submit amendments to the finance committee co-chair *prior* to the full finance committee meeting. The co-chair organizes the amendments and reviews each amendment with the following in mind:

 Are there duplicate or overlapping amendments? If several members have prepared similar amendments and more than one of these amendments pass, the appropriation may

## Tip

Please take a careful look at the bill and, if an amendment is desired, find a finance committee member to submit the amendment. Amendments *must* be submitted by a finance committee member. (An amendment template may be obtained from the LFD web site.)

- receive more (or less) funding than intended. The co-chair will work with members to decide which amendment(s) should be included in the packet.
- Does the amendment contain an accurate appropriation reference? Information on appropriation/allocation structure is vital to determining where funding should be placed.
- Is the funding source workable? Amendments competing for a limited funding source are common. Care must be taken that approving these amendments does not overappropriate the funding source. Similarly, proposed decrements cannot remove funding that is not in the bill (i.e., remove a funding source that isn't appropriated or remove more funding than the amount appropriated by the draft bill).

See the tip in the box on the left. The adopted amendments are incorporated into a committee substitute bill, which is then sent to the floor for additional amendments and a final vote.

## **Conference Committee Process**

The House and Senate work independently, therefore, differences in the bills they produce are

inevitable. A conference committee is appointed to reconcile differences between the House and Senate versions of the operating budget bills. Unlike conference committees for many other bills where an actual comparison between the hard copies of the two versions of the bills occur, the conference committee for the operating and mental health budget actually compare differences in budget transactions between the house and senate versions of the bills.

## Packet to be sent to the Senate President and the Speaker of the House.

After the conference committee has been appointed, LFD prepares a packet for the conference committee to send to the Senate President and the Speaker of the House. The packet includes a letter to the Senate President and the Speaker of the House requesting, for specified bills, limited powers of free conference for specific points that are included in the following reports:

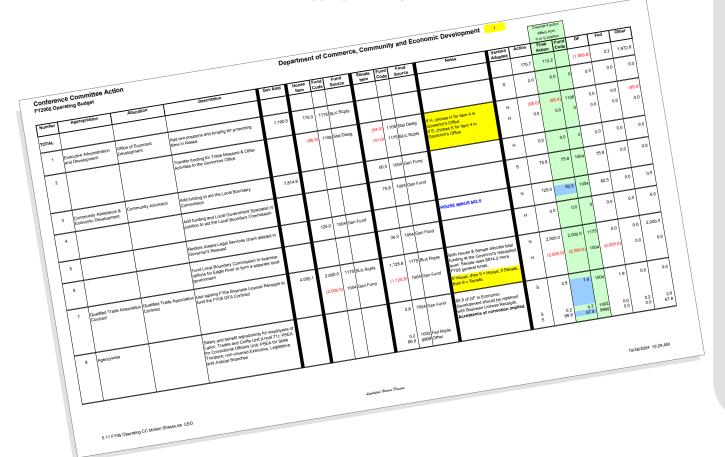
- 1. Allocations with items subject to conference;
- 2. Language sections of the bill that are subject to conference;
- 3. Structural changes subject to conference;

- 4. The Mental Health bill's capital projects subject to conference;
- 5. Uniform Rule 42. The conference committee process is conducted under Uniform Rule 42. (Uniform Rule 42 can be found under the "APPROPRIATION"

LAW and UNIFORM RULE 42" section in this publication.)

## **Conference Committee Motion Sheets.**

Legislative Finance prepares "motion sheets" to clarify items subject to conference (see example below). These sheets show, by transaction, all conferenceable items in each agency's budget, and statewide items (such as debt service and special appropriations). After the conferees





Conference committee members attempt to reach an agreement on motions prior to the meetings so discussion is limited and testimony is unusual. Please take a careful look at the motion sheets for the agencies or issues you may be following and speak to your conferees if you have concerns. Conference committee is often the final opportunity to make operating budget changes.

have received them, the motion sheets are available on the LFD web site.

#### Fiscal Notes.

The conference committee also decides which fiscal notes will be attached to the operating budget. If a fiscal note is not attached to an appropriation bill, the fiscal note's funding is NOT appropriated. (*More details on fiscal notes are included in the "Fiscal Notes" section on page 27.*)

## After conference committee differences are resolved.

After the conference committee has resolved the differences (and made fiscal note decisions), the conference committee's substitute bills are sent to both floors for a vote and then transmitted to the governor. Conference Committee bills cannot be amended on the floor.

#### Governor Signs the Operating Budget Bill

If an appropriation bill is transmitted to the governor after session, Article II, Section 17 of Alaska's Constitution states that the governor has 20 working days (excluding Sundays) to review the bill and exercise his line item veto power (if he wishes to do so). The bill becomes law and is typically effective with the beginning of the fiscal year on July 1; however, most appropriations bills also have sections with other effective dates.

## Accessing the Constitutional Budget Reserve Fund (CBRF)

Due to Alaska's structural deficit, a draw from the CBRF to balance the budget is often required. Appropriations from the CBRF have typically occurred in the capital budget because it is usually the last appropriation bill to pass. Article IX, Section 17 of Alaska's Constitution establishes a Budget Reserve Fund and subsections (b) & (c) outline procedures for appropriating money from the fund. The two ways appropriations from the CBRF can occur are as

#### follows:

#### Simple majority vote.

Subsection (b) allows appropriations from the CBRF with a simple majority vote of the legislature, but only under two conditions:

- 1. The amount available for appropriation must be less than the amount appropriated for the prior year; and
- The amount appropriated from the CBRF must not allow total appropriations to exceed the total amount appropriated for the prior year.

#### A ¾ vote of the legislature.

Subsection (c) allows unlimited appropriations from the CBRF with a ¾ vote of the legislature. Until fiscal year 2004, each annual budget cycle (for the last decade) has included negotiations to obtain a ¾ vote because the requirements of subsection (b) had never been met.

After the legislature passes the budget (with the CBRF included), the legislature transmits the bill to the governor's office for the governor's

#### **Fiscal Notes**

This section begins with fiscal note questions the Legislative Finance Division (LFD) is most frequently asked; is followed by an OMB letter providing detailed instructions on the preparation of, and the information to be included in, a fiscal note; and ends with statutes applicable to fiscal notes. The most frequently asked questions are as follows:

#### What bills need fiscal notes?

Fiscal notes are attached to *all* non-appropriation bills to show the financial impact of the legislation on an agency. A fiscal note can go through multiple versions as a bill progresses and changes.

#### Who prepares fiscal notes?

Fiscal notes are typically prepared by each agency affected by the bill. The governor's office forwards them to the Legislative Finance Division, the Office of Budget and Management (OMB), the member sponsoring the legislation and the requester of the fiscal note. Occasionally the sponsor of a bill will prepare a fiscal note or a committee will revise a fiscal note.

## Where do I get copies of fiscal notes?

Copies of fiscal notes that have passed out of committee are on the Bill Action and Status Inquiry Section

(BASIS) of the legislature's web site.

## What information is included in fiscal notes?

Information to be included in fiscal notes is found in the OMB letter in the next section.

## What if I question the assumptions of the fiscal note(s)?

Fiscal notes contain the agency's estimates of the bill's costs and should be carefully analyzed. Please read OMB's letter, then go through the questions included in the sidebar, "Tips for Conducting a Detailed Analysis of the Governor's Budget Request," located in the "Pre-Session Activity" section of this publication.

Questions may be directed to the agency contact responsible for preparing the fiscal note and/or you may request that a Legislative Finance analyst review the fiscal note(s) to ascertain the validity of estimated costs, new position requirements, fund sources, and five year projections.

## Why do some bills have multiple fiscal notes?

Bills may have multiple fiscal notes for the following reasons:

 More than one agency is affected by the bill. Because fiscal notes are prepared by each agency affected by the bill, a bill that affects more than one agency will have a fiscal note prepared by each of those



To obtain a copy of the latest fiscal note for a bill *still in committee*, please contact the chair of that committee.





Fiscal notes do not appropriate funding--they are only estimates of the fiscal impact of the bill.

agencies.

- More than one appropriation or allocation within the agency is affected. A separate fiscal note is prepared for each appropriation or allocation affected by a bill.
- A bill revision changes the cost of the bill. Fiscal notes are revised each time a bill is revised as it moves through the committee process. The fiscal note's estimates are revised to reflect the cost of the revised bill.
- Fiscal note assumptions are questioned or updated. Even if a bill is unchanged, a committee member (or agency) may change a fiscal note to reflect costs in keeping with updated information.

Please be careful to obtain the *latest* version(s) of a fiscal note(s).

#### What happens to fiscal notes?

Once a bill has been read across the floor, the Senate Secretary's or Chief Clerk's Offices enter the fiscal information into the BASIS system. This occurs when a bill is being referred to a committee or is being reported from a committee.

The House and Senate Finance Committees' secretaries provide the Legislative Finance Division with copies of fiscal notes accompanying legislation reported out of their respective committees. These fiscal notes are then used by the Conference Committee to develop a listing of new legislation and to appropriate funds for implementation of new legislation.

For information on how changes can be made to fiscal notes, please see the answer to the question: "Why do some bills have multiple fiscal notes?"

## When do fiscal notes have to be delivered?

Unless otherwise requested, the deadline for delivery of a fiscal note to the legislative committee is not more than five days following the request. Requests made after the 90th legislative day or during a special session require delivery of the fiscal note within two days.

## Are funds appropriated through fiscal notes?

No. Fiscal notes do not appropriate funding--they are only estimates of the fiscal impact of the bill. The following must occur for a fiscal note appropriation to be valid: (1) the bill is enacted; and (2) the fiscal note attached to an enacted appropriations

#### **OMB Fiscal Note Instructions**

#### OMB'S FISCAL NOTE INSTRUCTIONS FOR THE 2007 LEGISLATIVE SESSION

Each year state departments are asked to provide detailed information regarding the fiscal implications of proposed legislation. As usual, the fiscal note will be used to accomplish this task as prescribed in AS 24.08.035 (attached). To provide the Legislature, the Governor's Legislative Office and OMB with timely and objective fiscal data, please follow these instructions when completing and processing fiscal notes.

For legislation proposed to be submitted at the request of the Governor, departments are required to complete a fiscal note form accompanied by a fiscal analysis. Fiscal notes and analyses should be submitted to the Governor's Legislative Office by the due date on your legislative green sheet reviews before final approval of the draft legislation. Draft legislation will not be finalized for introduction until appropriate fiscal information is submitted to the legislative office and reviewed and approved by OMB.

One point we would like to emphasize is that fiscal notes are not position papers and are not to be used to convey the Administration's or department's position on a bill.

#### **GENERAL INFORMATION**

Please be sure to use the 2007 Legislative Session fiscal note forms. Each year we receive a number of fiscal notes on outdated forms.

#### **Requests for Fiscal Notes**

Alaska Statute 24.08.035 provides that **before** a bill or resolution, except an appropriation bill, is reported from the committee of first referral, a fiscal note **must** be attached. We plan to follow the same procedure for requesting fiscal notes that has been used for the last several sessions. Under this procedure, legislative committees will request fiscal notes from the Governor's legislative office, which will then transmit the request to the appropriate agencies.

**Prompt submission of fiscal notes is essential.** Unless otherwise requested, the deadline for delivery of a fiscal note to the legislative committee is not more than five days following the request. Requests

made after the 90th legislative day or during a special session require delivery of the fiscal note within two days. The Governor's Legislative Office should receive fiscal notes for distribution with at least a one-day lead time before the requester's due date. The Legislative Office is responsible for the distribution of departments' fiscal notes to the Legislature and OMB.

#### **Fiscal Notes for Committee Substitutes**

Revised fiscal notes need to be prepared by agencies for committee substitute bills when the CS is adopted by the committee, if there is a change in the fiscal impact of the bill. We will request that committee aides request revised fiscal notes for committee substitutes, because agency staff cannot always attend every hearing for every bill affecting their department. However, if agency staff are present at a hearing and are aware that a revised fiscal note is required for a CS, please advise the committee aide that the agency will be preparing a revised fiscal note.

As a general rule, agencies are not expected to prepare revised fiscal notes for draft committee substitutes prior to adoption by the committee. Changes in the fiscal impact of work drafts can usually be communicated to committees verbally through agency testimony. If any questions arise regarding the need for a revised fiscal note in a particular instance, please discuss the situation with the Governor's legislative office.

#### **Sunset Legislation**

As requested by the legislative finance committees, fiscal notes for sunset legislation should show the on-going costs of operations and any associated revenue generated by passage of the sunset legislation. In these fiscal notes, the analysis section should indicate that the expenditures are contained in the proposed FY 2007 operating budget and that the revenues are reflected in revenue projections. Also check the box on the fiscal note that indicates that the costs are in the FY 2007 budget.

# FISCAL NOTE

#### **OMB Fiscal Note Instructions**-continued

#### FISCAL NOTE DETAILS

The following section provides line-by-line guidance for filling out the fiscal note form. The numbers in the left column refer to the numbered entries on the attached Excel sample keycopy fiscal note form.

- Bill Version The fiscal note should specify the version of the bill/resolution for which the fiscal note is prepared (i.e., committee substitute). It is very important to use the correct version of the bill to which the fiscal note applies. Leave the "Fiscal Note Number" and "Publish Date" fields blank; these are for use by the Senate Secretary and House Clerk.
- **Revision Date/Time** Any revision to a fiscal note, whether for a committee substitute or a correction, should have a new revision date and time. When a revision date is used, the revision date should match the revised "prepared by" date.
- **Title** Provide a brief title for the legislation.
- 4 Sponsor Committee or legislator sponsoring the legislation.

  Remember that for Governor's bills, the sponsor is the Rules

  Committee. This is the most common error on fiscal notes for

  Governor's bills.
- **Requester** The requester is not always the same as the sponsor. For Governor's bills, the requester is the Governor. For legislative bills, the requester is usually the committee hearing the bill.
- 6 Department/RDU/Component These spaces should be filled in appropriately. Example: Office of the Governor/ Commissions/Special Offices/Human Rights Commission.
- 7 Component No. Agencies are requested to fill in this information for all fiscal notes. If a bill affects more than one component, a separate fiscal note is to be prepared for

each. For department-wide fiscal notes, use the Commissioner's Office component number.

#### Expenditures/Revenue

8 Operating Expenditures Operating Expenditures means the added/deleted cost of the proposed addition or change and should not include the current level of program expenditures. If state expenditures will be reduced by the proposed legislation, the amount should be shown in parentheses. All expenditures should be expressed in thousands of dollars rounded to the nearest hundred (e.g., \$7,757 = \$7.8). If there are no expenditures for the indicated years, enter a zero. Remember that your expenditures need to be carried through FY 2013, even if zero. The amounts shown for a given fiscal year should reflect the actual cost or savings of that particular year, relative to the status quo. See examples attached.

The Administration's policy is to develop fiscal notes without taking into account inflation, because most state programs do not receive automatic increases in funding for inflation. If you are preparing a fiscal note for a program that is dependent upon an inflation rate (e.g. formula programs) please use the following:

Statewide Population		% Change	Inflation %
FY 2007	669,977	1.09	2.6
FY 2008	677,362	1.10	2.6
FY 2009	684,714	1.09	2.6
FY 2010	692,001	1.06	2.6
FY 2011	699,207	1.04	2.6
FY 2012	706,344	1.02	2.6

9 Capital Expenditures If legislation involves a capital appropriation rather than an operating appropriation, total capital expenditures amount should be shown here. The full amount of the appropriation should be shown in the first year, even if the funding will be expended over more than one year, unless the capital item is a phased project with multi-year appropriations. The out-year operating expenses associated

#### OMB Fiscal Note Instructions-continued

with a capital project are to be shown in the Operating Expenditures section of the fiscal note.

Fiscal notes with capital expenditures should be monitored closely in the legislative process. In prior sessions, problems have occurred with capital costs being overlooked.

a result of the legislation should be identified. Explanation should be provided in the Analysis section. Please specify fund source name and code in the parenthesis, utilizing ABS fund source codes. Fund source names must be spelled out and not abbreviated, for the benefit of readers not familiar with the abbreviations. If no funding source code is available, simply state the name of the source. In these cases, please email Joan Brown at OMB (Joan\_Brown@gov.state.ak.us) to advise OMB that the legislation would create a new fund source. This will ensure that OMB can track the legislation and create the new fund source if the legislation is enacted.

#### **FUNDING**

- 11 Fund Source Use this section to show the funding source for any increase or decrease in expenditures. If other funds, please specify fund source name and code using ABS fund source codes. Again, fund source names must be spelled out and not abbreviated for the benefit of fiscal note readers. If a fund source change results from the legislation, enter the negative amount in the current funding source space and a positive in the proposed funding source space. If both fund sources fall into the Other Fund source, it will be a net zero, but asterisk the zero and make a note in the comments as to the fund sources involved.
- **Estimate of any current year cost** Please use this space (located just above the analysis section) when the proposed legislation will impact current year (FY2007) spending.

#### **POSITIONS**

Positions List number of new or reduced full-time, parttime, or temporary positions that are related to implementation of legislation.

#### **ANALYSIS**

Analysis The analysis should be concise and limited to one additional page. Only information that is needed to explain or justify the expenditure or revenue change should be included. [Note: This is not a position paper; fiscal notes should not be used to convey the Administration's support or opposition on a bill.] Other types of information or more detailed fiscal information should be presented in a separate attachment. Your analysis should cover the following areas, as required:

**Assumptions** Identify the specific assumptions upon which the expenditures detail is based.

**Program Summary** Present a concise narrative summary of the operational program to be funded by the expenditure. Minimum informational requirements are:

- a. **Positions:** List any new positions required according to job classification title. Include basic position information (i.e. salary, benefits, etc.). Use the FY 2007 personal services data for Governor's legislative proposals until the FY 2008 data becomes available. Justification for the position should include a brief job description.
- b. **Other Expenditures:** Identify and justify major expenditure items.
- c. **Funding:** Furnish the basis of any estimate for federal or other funds or a change in revenue.
- d. **Section Cost Analysis:** The fiscal detail for a lengthy bill may be the sum of costs for various sections of the bill. If so, the analysis should allocate total cost among the various sections of the bill.

#### **OMB Fiscal Note Instructions**-continued

**Performance Measures** If the legislation will have an impact on the department's performance measures, strategies, or end results, explain what the impact will be.

**Computations** If a formula method is used in determining the data shown in the Expenditures section, show your computations in sequence. Clearly identify the elements and mathematical processes that are used in each step.

**Economic Impact** Some program changes may have little effect on the State budget, but may significantly impact the State's economy. This is an important part of Governor Murkowski's agenda. Department comments on projected economic impact should be included as part of the analysis.

**Attachments** (Optional) Additional information that should be considered during discussion of the proposed legislation may be attached to the fiscal note. Some examples are:

- a. Department comments regarding the legislation itself-suggested revisions, effect upon existing or proposed programs, alternative legislation, etc. Comments should be limited to technical information and should not be used to express the Administration's position.
- b. Pertinent department memoranda relating to the subject area of the legislation.
- c. Charts or graphs.
- d. Pertinent articles from newspapers, magazines, professional publications, etc.

#### FISCAL NOTE APPROVAL

15 Prepared By The name of the person who prepared the fiscal note; indicate the division and phone number of the preparer. If a revised fiscal note is prepared, the revised date and the prepared by date should match. (Note: The preparer's name

and date prepared will appear in BASIS with the fiscal information.) The preparer should be able to answer questions regarding the fiscal note.

With the change several years ago to electronic distribution of fiscal notes, the preparer's signature is no longer necessary.

Approved by the Commissioner With the change to electronic distribution, the commissioner or designee does not need to physically sign the fiscal note; however, the commissioner or a designee must still approve the fiscal note. The commissioner's or designee's name should be left blank until the fiscal note is approved; when approved, the commissioner's or designee's name should be entered here (typed into the Excel fiscal note document) to indicate that the note has been approved.

#### DISTRIBUTION

17 Fiscal Note Distribution After the fiscal note has been approved, the Excel fiscal note document needs to be converted into Adobe Acrobat PDF format. This is a simple one-button operation that can be done from within the Excel program when Adobe Acrobat is installed. Instructions in the use of Adobe Acrobat are included with the program.

To reduce the chances of Acrobat conversion problems, keep these points in mind: Modifying the Excel fiscal note forms provided by OMB can result in problems. While we don't want to prohibit minor modifications to the fiscal note forms by departments, if you modify the forms you must thoroughly test the Acrobat conversion process. This includes testing that you can still fill in the "Fiscal Note Number" and "Publish Date" Fields used by the Senate Secretary and House Clerk after the document is in Acrobat format.

Some departments had better results using the Acrobat Distiller option rather than the basic Acrobat PDF Writer option, especially for 2 page fiscal notes. The best option may

#### **OMB Fiscal Note Instructions**-continued

depend on the specific setup of the computer used to do the Acrobat conversion process.

Please use the following formats for naming your PDF fiscal note files:

1. Before a bill number has been assigned:

Law Log Number-Department-Component- Date

Example: 0009-EED-ESS-12-9-03

2. After a bill number has been assigned:

(Note: We need three digits in the label for the number so add zeroes if the bill number is lower than 100)

Example for a bill with a number lower than "10", HB 1: HB001-EED-ESS-12-9-03

Example for a bill with a number lower than "100", HB 21: HB021-EED-QS-12-10-03

Example for a bill with a number of "100" or greater, HB 125: HB125-EED-SSS-12-11-03

3. Committee Substitutes:

HB125CS-EED-SSS-12-20-03

SB219HCSCS(HES)-DOA-PD-1-26-04

After converting a fiscal note to the Acrobat PDF format, the fiscal note document will then be emailed as an attachment to the designated staff person in the Governor's legislative office. Please use the "return receipt" email feature to verify that the email is received.

In the email transmitting the fiscal note, please fill out the subject line

using the name of the PDF file as described above. In the body of the email, include the following information:

- (1). Legislative bill sponsor,
- (2). Requesting legislative committee,
- (3). Committee hearing date and time.

After reviewing the fiscal note, the legislative office will then distribute the fiscal note, again via email, to the bill sponsor, requesting committee, Division of Legislative Finance, and OMB. The department is still responsible for sending fiscal notes via email to other agencies that will be affected by the bill.

## Alaska Statutes Regarding Fiscal Notes

**Sec. 24.08.010. General procedure.** The procedure for handling bills from the time of their prefiling or introduction until they become law is provided in this chapter subject to implementing rules adopted by the legislature. Resolutions shall be handled in accordance with the provisions of the uniform rules of the legislature.

**Sec. 24.08.020. Subject of bills.** The subject of each bill shall be expressed in its title and every bill shall be confined to one subject unless it is an appropriation bill or one codifying, revising, or rearranging existing laws. The limitation to one subject shall be liberally construed to permit the subject to include all matters that reasonably can be considered germane to the subject in accomplishing the legal objective of the bill.

**Sec. 24.08.030. Appropriation bills.** Bills for appropriation shall be confined to appropriations and shall include the amount involved and the purpose, method, manner, and other related conditions of payment.

**Sec. 24.08.035. Fiscal notes on bills.** (a) Before a bill or resolution, except an appropriation bill, is reported from the committee of first referral, there shall be attached to the bill a fiscal note containing an estimate of the amount of the appropriation increase or decrease that would result from enactment of the bill for the current fiscal year and five succeeding fiscal years or, if the bill has no fiscal impact, a statement to that effect shall be attached. The fiscal note or statement shall be prepared in conformity with the requirements of this section by the department or departments affected and may be reviewed by the office of management and budget. The fiscal note or statement shall be delivered to the committee requesting it within five days of the request or within two days if the request is made after the 90th day of a regular session, or during

#### operating budget: during session

by the governor for introduction in accordance with AS 24.08.060(b) and the uniform rules of the legislature, the fiscal note or statement shall be attached to the bill before the bill is introduced. An amendment or a substitute bill proposed by a committee of referral that changes the fiscal impact of a bill shall be explained in a revised fiscal note or statement attached to the bill.

- (b) In addition to the fiscal note required by this section, the sponsor of a bill or resolution may prepare a fiscal note in conformity with the requirements of this section and submit it to the committee of first referral or the finance committee. A committee may prepare an additional fiscal note in conformity with the requirements of this section.
- (c) A fiscal note for a bill or resolution must contain the following information:
  - (1) the fiscal impact on existing programs;
  - (2) the fiscal impact of new programs or activities;
  - (3) a line item detail of the fiscal impact;
  - (4) the source of funds expected to be utilized by general fund source, federal fund source, or other identified source;
  - (5) the number of new positions that may be required, identified as full-time, part-time, or temporary;
  - (6) an analysis of how the figures in the fiscal note were derived;
  - (7) additional information necessary to explain the fiscal note;
  - (8) a fiscal impact projection for the current fiscal year and for the succeeding five fiscal years; and
  - (9) formal information consisting of
    - (A) the bill or resolution number,

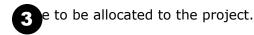
a special session of the legislature. If the bill is presented

- (B) the name of the prime sponsors,
- (C) the date the fiscal note was prepared,
- (D) the name of the committee requesting the fiscal note,
- (E) the name and phone number of the person who prepared the fiscal note, and
- (F) the budget request unit, program, or subprogram affected.
- (d) The original of a fiscal note shall be submitted to the Division of Legislative Finance and copies shall be sent to the prime sponsor, the committee requesting the fiscal note, and the office of management and budget.

**Sec. 24.08.036. Fiscal notes on bills affecting state retirement systems.** Before a bill which would have an effect on the retirement systems of the state is reported to the rules committee, there shall be attached to the bill an analysis of the long-term and short-term costs to the state if the bill is adopted, as well as the impact of the bill on the actuarial soundness of the fund. The analysis is in addition to the fiscal note requirements of AS 24.08.035.

**Sec. 24.08.037. General obligation bond bills.** A bill authorizing the issuance of general obligation bonds creating a state debt for capital improvements shall contain a statement of the scope of each project included in the proposed bond issue. The statement shall include a brief description of each capital improvement project, its location, and, in dollars, that portion of the total bond





### **Post-Session Activity**

#### **Interim Publications**

After the governor has signed all appropriations bills, (and bills with relevant fiscal notes), the Legislative Finance Division generates several publications documenting the appropriation actions that occurred during the past session. These publications include the *Conference Committee Books, Summary of Appropriations*, and the *House District Reports* (or *Election District Reports*).

For more detail on information included in these publications, please see the "Budget Resources" section of this publication beginning on page 49.

#### Revised Program Legislative (RPLs) Process

A Revised Program Legislative (RPL) is a type of budget revision requiring legislative involvement because it supplements a specific appropriation made by the full legislature. Under AS 37.07.080(h), an agency request for a revision must be submitted through the Office of Management and Budget (OMB) to the Legislative Budget and Audit (LB&A) Committee for approval. An RPL can provide authority to receive and expend

additional receipts, but cannot create a new appropriation [See Legal Services memorandum 21-LS0121 (November 5, 1998) on this subject]. The governor may wait 45 days after submitting an RPL to the LB&A Committee, then notify the legislature that the agency intends to spend the receipts despite lack of approval by the LB&A Committee.

#### LFD RPL Analyses.

About two weeks before each LB&A meeting, OMB delivers to LFD a cover letter, one original and three copies of each RPL they wish to see placed on the agenda, with accompanying back-up.

The roles of the Legislative Finance Division in this process include:

- Analyzing RPLs. Analyses and recommendations are in bold and are inserted in the RPL document. Clarifications, differences with contentions in the agency request, and a summary of issues may be included.
- Distributing the RPLs and the LFD analysis to the LB&A Committee; and
- Preparing RPL discussion items for LB&A Committee meetings.

After the governor has signed all appropriations bills (and bills with relevant fiscal notes), the Legislative Finance Division generates several publications documenting the appropriation actions that occurred during the past session.



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# Statutes for Revised Program Legislative (RPL) Sec. 37.07.080. Program execution.

- (h) The increase of an appropriation item based on additional federal or other program receipts not specifically appropriated by the full legislature may be expended in accordance with the following procedures:
  - the governor shall submit a revised program to the Legislative Budget and Audit Committee for review;
  - (2) 45 days shall elapse before commencement of expenditures under the revised program unless the Legislative Budget and Audit Committee earlier recommends that the state take part in the federally or otherwise funded activity;
- (3) should the Legislative
  Budget and Audit Committee
  recommend within the 45day period that the state not
  initiate the additional activity,
  the governor shall again review
  the revised program and if
  the governor determines to
  authorize the expenditure,
  the governor shall provide the
  Legislative Budget and Audit
  Committee with a statement of
  the governor's reasons before
  commencement of expenditures
  under the revised program.

## capital budget

By statute, the Governor is required to develop and recommend to the Legislature a six-year capital improvement program. An appropriation bill covering year one of the ongoing plan (the upcoming fiscal year) must be submitted to the legislature on the 15<sup>th</sup> day of December, just prior to each regular legislative session. The legislature reviews the proposed capital improvement program and current year appropriation bill and makes decisions necessary to support state services.

# What is typically included in a capital project appropriations bill?

Typical capital projects may include the following:

- New infrastructure construction
- Capital improvements to existing infrastructure
- Infrastructure maintenance/deferred maintenance
- Information technology upgrades
- Equipment purchases
- · Materials stockpiling
- State equipment fleet replacement
- Trail/parks construction and maintenance
- Land purchases
- Capital Grants to Municipalities, Communities and Organizations

#### Are there recurring agency programs/requests?

There are several ongoing capital programs within state agencies that require expenditure authority on an annual basis. These programs are often the result of recurring federal funding. Examples include the following:

- Department of Environmental Conservation
  - o Water and Wastewater Infrastructure projects
- Department of Transportation and Public Facilities
  - o Airport Improvement Program
  - o Surface Transportation Program
  - o Community Transportation Program
- Alaska Housing Finance Corporation
  - o Supplemental Housing Development Program
  - o Low Income Weatherization
  - o Senior Citizens Housing Development Program

Also, the Department of Education and Early Development (DEED) typically submits requests for new school construction and school maintenance. Every few years a bond bill addressing school construction/maintenance in rural areas¹ surface. DEED maintains a needs list for state school construction and maintenance. The back-log is substantial and gets attention regularly.



#### The 2004 Legislative

**Session** was rather unusual in that both bodies acted individually for much of the session. The House passed several contentious bond bills that caused some gridlock in the Senate. The "normal" path of the Senate would have been to adopt a Finance Committee substitute bill for the Governor's capital bill. This would then have been amended in Senate Finance and passed from the Senate Floor to the House. However, the Senate was reluctant to pass a bill to the House, giving them control over the bill's fate. The deadlock ended when a Conference Committee stripped an education appropriation bill and replaced it with a bill that combined capital, supplemental, and reappropriation actions. This method circumvented the usual committee process. This bill proved to be the session-ending deal between both bodies and their respective majorities and minorities.

Other typical requests include deferred maintenance on state facilities. Most agencies request some amount of funding for this purpose.

## When do capital appropriations lapse?

A typical capital bill includes a provision stating that capital projects lapse under AS 37.25.020 unless otherwise stated. The lapse provision of AS 37.25.020 states that an appropriation is valid for the life of the project and that the unexpended balance shall be carried forward to subsequent fiscal years.

# Which supporting staff is responsible for the individual sections of the bill?

The capital bill contains two primary sections with two different responsible supporting staff groups. Legislative Finance is responsible for drafting what is referred to as the "numbers section" of the bill. Legislative Legal Services is responsible for drafting what is referred to as the "language sections." These are the individual descriptive appropriations in the back of the bill (following the numbers section). These sections typically begin with section 4 of the bill.

Although Legislative Finance does not draft the "language sections," it tracks the amounts and types of funding those sections contain. Additional discerning characteristics, such as effective dates and lapse dates are also tracked by Legislative Finance.<sup>2</sup>

# What is the process for development of the capital bill?

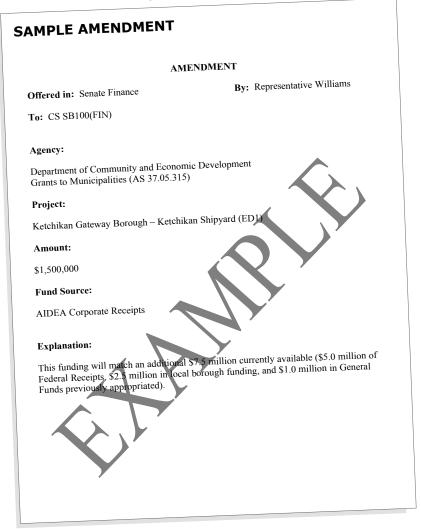
After the governor makes a recommendation to the legislature, identical capital bills are referred to the finance committees of both bodies. Both bodies typically work simultaneously on their own bills with varying degrees of cooperation. There are generally fewer public meetings than on the operating bills, and formal action often occurs late in the session. (See the sidebar on the left, "2004 Session.")

It is customary for one co-chair of each body's finance committee to oversee review and modification of the capital bill. Often, the co-chair will have full committee meetings reviewing each project in the Governor's bill. Sub-committees could be formed to further explore topics, but have not been used in recent years.

After review by the full committee, the co-chairs staff works with committee members, other legislators, Legislative Finance and Legislative Legal Services to complete a committee substitute bill.

# How does the committee substitute bill get amended?

One or several full finance committee meetings can be scheduled to amend the committee substitute bill. Formal amendments to the bill can be offered in these meetings. Legislative Finance and Legislative Legal Services are available to assist in the development of amendments.



# Tip

#### Getting Your Project in the Bill

Any legislator wishing to modify the bill needs to contact the co-chair responsible. The co-chair has direct control over the committee substitute bill. It might also prove beneficial to approach the co-chair regarding any amendments that may be offered in a finance committee meeting.

#### **Amendments**

It is recommended that Legislative Finance review proposed amendments for accuracy. This avoids technical problems that may need to be addressed later. Legislative Finance prefers to have "numbers section" amendments follow guidelines that can be found on our website at the following address.

http://www.legfin.state.ak.us/

A sample amendment is displayed on the left. Following the guidelines helps prevent errant action and provides the details necessary for Legislative Finance to perform its duties and answer future questions on projects.

# What happens to the bill after it is passed from the finance committee?

After the bill is amended in the full finance committee, the bill is passed to the rules committee for scheduling on the body's floor. On the floor, the amendment process can be repeated if desired or necessary.

After the bill passes a particular body, it is passed to the other body where the whole process is repeated.

#### What about re-appropriations?

The unwritten rule with regard to capital projects in any particular legislator's district is "hands off my money." In other words, it is customary to re-appropriate any remaining funding from a completed capital project back to the district it resided in originally. This is not required by law, but helps maintain civility.

# How do I find out about capital project funding available for re-appropriation?

Grantees typically contact their respective legislator for action when funding is available. However, the Department of Commerce, Community & Economic Development (DCCED) customarily notifies grantees of pending lapsing funding. This is done as a courtesy by the agency, but also serves as a mechanism to monitor and maintain grant records.

## What happens when my district receives a legislative grant?

A typical capital appropriation bill will contain numerous legislative grants to various municipalities, boroughs, unincorporated communities and named recipients. After the bill is enacted into law, DCCED will notify grantees of the availability of the grant. The grantees must execute an agreement with DCCED stating that they will spend the grant for the purposes specified in the appropriation. Additionally, a completion date is set in the agreement that is usually five years. This is not a statutory lapse date for the funding, but a date agreed upon for project completion. This date can be extended indefinitely if necessary as long as the appropriation has a typical lapse date under AS 37.25.020 (for the life of the project). A specific requirement does exist with regard to Grants to Municipalities in that substantial, ongoing work must begin within five years after the effective date of the appropriation or the funding will lapse. This applies only to grants to municipalities.

# How does Legislative Finance assign a House District (HD) to each project?

The house districts that accompany capital project appropriations are merely for informational purposes and have no binding legal significance. These assignments do, however, allow for a geographical representation of how funding is being appropriated on a statewide basis. The House District Summary Report<sup>3</sup> provides this information.

Given that many capital projects have an impact on more than one house district, Legislative Finance may assign them to "areawide" districts. The current list of "areawide" districts includes:

Juneau Areawide – House Districts 3-4
Fairbanks Areawide – House Districts 7-11
Matanuska-Susitna Areawide – House Districts 13-16
Anchorage Areawide – House Districts 17-32
Kenai Areawide – House Districts 33-35
Statewide – All Districts

Additionally, "regional" districts may be used. These would be used for projects affecting an entire region of the state. A primary example lies in appropriations for the Alaska Marine Highway System. A new fast-ferry serving Southeast Alaska, would receive a "Southeast Region" district assignment. The current list of "regional" districts includes:

Southeast Region –
House Districts 1-5
South Central Region –
House Districts 12-35
Central Region –
House Districts 6-11
Southwest Region –
House Districts 36-38
Northwest Arctic Region –
House Districts 39-40

Legislative Finance tries to assign each project to a particular areawide/regional district that is most appropriate. Certainly, however, the assignment of projects to any particular areawide or regional district is subjective.

Additionally, many legislators like to see a break-out of what projects reside in their districts, regardless of the impact they have regionally. Therefore, as of FY2005, Legislative Finance is recording a house district on an exact geographic basis and an areawide basis. If an exact district cannot be assigned, an

areawide district will apply to both. (See areawide and regional districts sidebar on the right.)

### What is the appropriation structure?

Appropriations create statutory restrictions on the movement of money. Money cannot be moved between appropriations barring a contract for services. Allocations, however, allow for flexibility in how funding can be utilized. An appropriation can have any number of allocations. Movement of funding between allocations is generally restricted in accordance with AS 37.07.080(e) which requires approval from the commissioner of an agency.

The capital bill can be developed very stringently, with many appropriations and few allocations, or conversely with many allocations and few appropriations. Usually, some sort of compromise structure is used. This allows the administration the flexibility to operate efficiently while maintaining appropriation restrictions where necessary. (See the program flexibility sidebar to the right.)

# Why is capital project backup information necessary?

Backup information is a critical ingredient to a complete capital bill. All legislative additions require backup materials. This backup is utilized by the Governor's office in their veto analysis and is kept



### Areawide & Regional Districts

Areawide and Regional districts were created to summarize projects on the basis of the impact they have on a community. For example, road improvements made in House District 4, although geographically located in that particular district, have an impact on the entire community of Juneau. Similarly, many projects impact entire regions of the state.

#### **Program Flexibility**

Often, a particular program in an agency will receive one appropriation for the program and numerous allocations within. This tends to occur in programs using primarily federal funding. Examples include DOT&PF's Airport Improvement Program and Surface Transportation Programs. Both of these are large, federally funded programs with many dynamic factors that require program flexibility.

### capital budget

The Legislative Finance Division employs Fiscal Analysts with expertise in all areas of the state budget, including the capital budget. on file by Legislative Finance for future reference. Backup materials document the need for funding and include any pertinent information and correspondence that may be useful in the future for determining what the appropriation was for and if the funds were spent as intended by the legislature.

# What resources are available for developing the capital bill?

1. Legislative Finance Division.
Fiscal Analysts are available
with expertise in all areas

of the state budget.
One particular analyst
is responsible for
coordinating analysis
and development of the

and development capital bill.

- 2. Database reports. Legislative Finance can generate reports summarizing or detailing items throughout the iterations of the capital bill. (e.g., on a house district, agency, and/or statewide basis).
- 3. Governor's Project Detail. As required by statute, the Office of Management and Budget prepares back-up documents detailing information about each capital project in the governor's capital bill. This back-up is available through OMB, Legislative Finance or the House and Senate Finance Committees.
- **4. Prior Year Backup**. Legislative Finance retains copies of recent backup information for capital, reappropriation and supplemental appropriations.
- **5. AKSAS**. The Alaska State Accounting System can provide current information on currently authorized capital appropriations. Legislative Finance, Legislative Audit, OMB and agency budget staff can access AKSAS.
- **6. Summary of Appropriations**. This document contains all appropriation bills passed during a specific session along with various budget reports.
- 7. House District Summary.
  Formerly the Election District
  Summary, this document contains

capital appropriations and capital re-appropriations sorted by house district.

## Is there a way to get spending broken out by project type?

This information can be provided. Legislative Finance is developing a mutually exclusive list of groups to assign to each and every capital project. This will allow quick reporting of how much is/was appropriated for a particular budget area. A Project Group Summary Report will summarize the total amount appropriated statewide by project groups. Like the House District Summary Report, the assignment of a project to any particular group is subjective.

# What statutes govern the capital bill?

#### A. Responsibilities of the Governor

- 1. AS 37.07.020(a)(3) appropriation bill for capital projects other than those in the comprehensive mental health program
- 2. AS 37.07.020(b) capital improvements program covering the succeeding six fiscal years
- 3. AS 37.06.060(b)(3)(A-H) recommendation to legislature for capital improvement program for succeeding six fiscal years w/ details of what must be included
- 4. AS 37.07.062(a) project back-up information details
- 5. AS 37.07.062(b-c) amounts appropriated for capital outlay shall be paid into appropriate capital project funds established under AS 44.42.080. This appears to be obsolete. This does not occur.

# B. Responsibilities of the Legislature

1. AS 37.07.070 – Legislative Review

#### **End Notes**

- The majority of urban area school construction and maintenance funding is provided via a municipal debt reimbursement program (school debt reimbursement) that is addressed in the operating budget.
- <sup>2</sup> Effective dates play an integral part in determining whether an appropriation is considered a supplemental appropriation or upcoming fiscal year appropriation.
- <sup>3</sup> This report was formerly called the Election District Summary Report.

### supplemental budget

Two factors determine
if an appropriation is a
supplemental. One is that
the effective date must be
in the current fiscal year.
Second is the appropriation
must change the funding
level in the current
fiscal year.

The governor annually requests appropriations (called supplemental appropriations) that modify the current fiscal year's budget. Typically, two supplemental appropriations bills—a "fast-track" supplemental bill and a "slow-track" supplemental bill—are submitted by the governor. Before passage, the requested appropriations in both supplemental bills are reviewed and modified by the legislature.

By law [AS 37.07.070(1)], the governor must submit supplemental requests to the legislature by the thirtieth day of session. The legislature can, and frequently does, modify and initiate supplemental appropriations throughout the legislative session. The following are answers to common questions the Legislative Finance Division receives regarding supplemental appropriations:

# What makes an appropriation a supplemental appropriation?

Two factors determine if an appropriation is a supplemental. One is that the *effective date* must be in the *current* fiscal year—even if funding is intended for expenditures in the next fiscal year. For example, an appropriation to capitalize the Alaska Marine Highway System Fund with an effective date of June 30<sup>th</sup> may be intended for use in future years, but its June 30<sup>th</sup> effective date makes it a supplemental appropriation.

Secondly, the appropriation must change the *funding level* in the *current* fiscal year. Many appropriations repeal and reappropriate funding from prior fiscal years. Although these appropriations have a current fiscal year effective date, the reappropriation is not considered a supplemental appropriation unless it affects current year funding.

# Do supplemental appropriations have to be appropriated in a separate appropriation bill?

No. Supplemental appropriations are usually included in all major appropriation bills.

# Can a supplemental appropriation cross fiscal years?

Yes. When an appropriation is needed for multiple fiscal years, language in the bill can extend the lapse date for that appropriation for as many fiscal years as it is needed. If no lapse date is specified, funding for an operating appropriation lapses at the end of the fiscal year.

# Why does the governor submit a "fast-track" supplemental bill and a "slow-track" supplemental bill?

The fast-track supplemental bill contains items that the governor (or legislature) believes should be funded early in the session [or at least before the end of session when the capital bill (which normally contains the "slow-track" supplemental transactions) typically passes]. For example, if a winter flood washes out an Anchorage road, the Department of Transportation and Public Facilities may want to begin the road repair process (i.e., planning/engineering/ public notice & RFP process) in the spring. For a spring repair, funding needs to be available long before May when the capital budget (containing "slow-track" supplementals) typically passes.

The slow-track supplemental bill contains appropriations that need to be authorized before the end of the fiscal year.

#### Does the Legislative Finance Division generate the supplemental bills?

Legislative Finance
generates the
numbers sections
of the supplemental
bills and Legislative
Legal Services generates
the language sections.
Transactions for both the
numbers and language sections
are included in the LFD budget for
informational and reporting purposes.

The fast-track supplemental bill contains items that should be funded early in the session. For example, if a winter flood washes out an Anchorage road, DOT&PF may want to begin road repairs immediately.

### supplemental budget

# How do I know which supplemental appropriations passed?

There are two ways to find out which supplemental appropriations pass: First, using the two factors (effective dates & changes in the current year funding level) stated in the first question, closely examine all appropriations in each appropriations bill that passes.

The second (and simplest) way is to obtain supplemental reports generated by LFD. Reports on all supplementals that pass are included in the Conference Committee Books, the Summary of Appropriations, and posted on LFD's web site.



### **Budget Resources**

#### Reports Generated by Legislative Finance's Budget System

Legislators, staff, and the general public can request custom reports from the Legislative Finance budget system. Reports can be generated for multiple fiscal years on a statewide basis or by specific agency or House District (capital projects only). A range of detail—from statewide summaries to lists of transactions—can be produced quickly and emailed to requestors. Analysts can help determine which reports best fit needs and help interpret results.

#### **Fiscal Summary**

Twice a year—after the governor's budget is released in December and after the legislature passes its final budget in May—Legislative Finance produces a concise, fivepage document that summarizes total revenues, total expenditures and the consequent general fund surplus or shortfall. The first page includes revenues, appropriations

and the projected general fund surplus or fiscal gap. The second page shows balances of the Constitutional Budget Reserve (CBR) and the Permanent Fund. The third page includes fund definitions and a pie chart breakout of appropriations. The fourth page shows the total funding, by bill, appropriated by the legislature. The fifth page shows funding in the year(s) the expenditures will occur rather than when they are appropriated (as is shown on page 1).

The revenue section of page one consists of oil, tax and investment revenues which are included in the Revenue Sources Book produced each fall and spring by the Department of Revenue. These revenues are projections and can vary greatly depending on oil prices.

The appropriations section of page one is a roll up of all the bills presented by the governor before the session begins or signed into law after the session has ended. This section includes operating and capital sections divided into several groups such as formula and non-formula programs, debt service and fund capitalization, and supplementals. (See next page for an example.)

Legislators, staff, and the general public can request custom reports from the Legislative Finance budget system.

#### State of Alaska Fiscal Summary

(\$ millions)

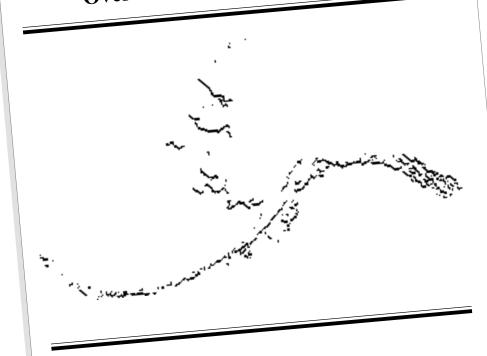
		FY06 Management Plan					FY07 Bi	udget		GF
R	EVENUE (Excludes Permanent Fund Earnings)	GF	Federal	Other	Total	GF	Federal	Other	Total	Change
	Unrestricted General Fund Revenue (1)	2,664.0			2,664.0	3,436.7			3,436.7	
	Bond Proceeds and Other Borrowing (2)			330.2	330.2			308.0	308.0	
	Net Corporate Dividends (3) Federal and Other Funds		2,787.8	55.0 880.3	55.0 3,668.1		3,068.6	67.2 946.8	67.2 4,015.4	
	Total Revenue	0.004.0				2 420 7	•			
5		2,664.0	2,787.8	1,265.5	6,717.3	3,436.7	3,068.6	1,322.0	7,827.3	
	PPROPRIATIONS	0.500.0	4 640 4	700.0	4 075 0	0.050.0	4 755 0	770.0	5 407 6	00.7
	perating	<b>2,568.3</b> 1,310.8	<b>1,640.4</b> 824.3	<b>766.3</b> 1,362.1	<b>4,975.0</b> 3,497.3	<b>2,658.0</b> 1,500.7	<b>1,755.8</b> 844.0	<b>773.8</b> 1,480.1	<b>5,187.6</b> 3,824.8	89.7
	Agency Operations (Non-Formula) & RPLs Formula Programs (4)	1,257.5	816.0	1,362.1	2,222.1	797.0	911.3	1, <del>4</del> 60.1 87.0	1,795.3	
- 1	Contingent Appropriations	1,201.0	0.0.0		_,	213.2	00	00	213.2	
	New Legislation					147.1	0.5	1.1	148.7	
12	Duplicated Authorization (5)			(744.4)	(744.4)			(794.5)	(794.5)	
	apital	338.7	1,102.0	238.7	1,679.4	687.3	1,289.5	274.5	2,251.3	348.6
	Project Appropriations & RPLs (Revised Programs)	332.2	1,102.0	198.1	1,632.3	679.3	1,289.5	205.9	2,174.7	
	Mental Health Projects	6.5	0.0	5.6	12.1	8.0		6.9	14.9	
	Projects Funded with Debt Proceeds Duplicated Authorization (5)			308.2 (273.2)	308.2 (273.2)			299.7 (237.9)	299.7 (237.9)	
	tatewide	(342.8)	43.7	256.4	(42.7)	75.1	23.4	273.7	372.2	417.9
-   -	Debt Service	53.1	8.0	241.2	302.4	55.2	9.3	251.9	316.4	417.5
	Fund Capitalization	(396.0)	35.6	15.3	(345.1)	19.9	14.1	21.7	55.8	
21	Total Authorization (unduplicated)	2,564.2	2,786.0	1,261.4	6,611.6	3,420.5	3,068.6	1,322.0	7,811.1	
22 <b>S</b> ı	urplus (Draw From CBR) at Session End	99.8				16.2				
23 <b>A</b> l	DJUSTMENTS TO REVENUE									
	Spring Revenue Forecast (1)	1,344.7	41.7	(3.1)	1,383.3					
-	Public Education Fund used in Subsequent Fiscal Year (6)	416.8			416.8	568.4			568.4	
-	Other Carryforward from FY05 (6)	41.6	0.9	4.0	46.4					
27	Total Revenue	4,467.1	2,830.4	1,266.3	8,563.8	4,005.1	3,068.6	1,322.0	8,395.7	(462.0)
_	DJUSTMENTS TO AUTHORIZATION									
	Public Education Fund used in Subsequent Fiscal Year (6)	416.8			416.8	568.4			568.4	
	Other Carryforward from FY05 (6) Supplemental Placeholder	41.6	0.9	4.0	46.4	60.0			60.0	
32	Total Authorization (unduplicated)	3,022.6	2.786.9	1.265.3	7,074.9	4,048.8	3,068.6	1,322.0	60.0 <b>8.439.4</b>	1,026.2
	evised Surplus (Draw From CBR)	1.444.5	2,700.9	1,205.5	7,074.9	4,046.6 (43.8)	3,000.0	1,322.0	0,439.4	1,026.2
_	upplemental Appropriations	1,444.5				(43.0)				
	Operating	181.7	0.5	(11.7)	170.5					
	Capital	39.7	41.2	3.4	84.3					
	Savings	300.0		0	300.0					
	Public Education Fund used in Subsequent Fiscal Years (6)	865.0			865.0					
39	Duplicated Authorization (5)			9.7	9.7					
40	Total Authorization (unduplicated)	4,409.1	2,828.7	1,266.6	8,504.4	4,048.8	3,068.6	1,322.0	8,439.4	
	evised Surplus (Draw From CBR)	58.0	Surplus is swept	t to the Public Ed		(43.8)				
	Permanent Fund Dividends			610.0	610.0		- ·	795.0	795.0	
	Deposits to Permanent Fund Principal		1.7	856.0	857.7		0.1	692.0	692.1	
	Capital Income Fund			35.0	35.0			28.0	28.0	
	OTAL WITH PERMANENT FUND otes:	4,409.1	2,830.4	2,767.6	10,007.1	4,048.8	3,068.7	2,837.0	9,954.5	

#### Notes:

- (1) Revenue assumptions are from the Spring 2006 Revenue Sources Book. The oil forecast is 0.853 million barrels per day (mbd) at \$58.72 per barrel in FY06 and 0.825 mbd at \$53.60 per barrel in FY07.
- (2) Money borrowed for FY06 projects and debt service includes \$63.5 million in revenue bonds, \$138.8 million in Airport bonds, \$24.2 million in COPs, \$2.7 clean / drinking water bonds, and \$85.0 million in ASLC bonds
  The FY07 budget includes \$170.0 million in funding from securitization of the tobacco settlement revenue stream, which reduces future revenue, \$127.2 million in Airport bonds, \$2.6 million in clean / drinking water bonds,
  and \$8.2 million in Fish & Game bonds.
- (3) Corporate dividends include funds made available to the State by the boards of AHFC, AIDEA, and ASLC. Dividends retained by AHFC for debt service on state capital project bonds are subtracted.
- (4) FY06 appropriations for formula programs exclude \$416.8 million FY05 capitalization of the Public Education Fund (line 25) that was used for K-12 education in FY06. That amount reduces fund capitalization (on line 20) by \$416.8 million. FY07 appropriations for formula programs exclude \$565 million of FY06 capitalization of the Public Education Fund. That amount is shown on line 29.
- (5) Duplicated authorizations are in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided.
- (6) Money appropriated in one fiscal year for use in later fiscal years shows as offsetting adjustments to revenue and authorization.

# The Fiscal Year 2008 Budget:

Legislative Fiscal Analyst's Overview of the Governor's Request





Legislative Finance Division

http://www.legfin.state.ak.us/

# Overview of the Governor's Request

Published at the beginning of each session, The Fiscal Year "xx" Budget: Legislative Fiscal Analyst Overview of the Governor's Request provides a "first look" at the Governor's proposed budget and gives a succinct view of the work facing the finance committees in the months ahead. The Overview is prepared by legislative finance analysts and contains analyses of the Governor's operating budget from a statewide perspective, including summaries of agency responsibilities and major funding and organizational changes proposed by the Governor, breakdowns by line item and type of program, and multi-year spending comparisons.

### **Governor's Budget Summary Books** (or Governor's Detail Budget Books)

Along with a proposed operating budget bill, the Governor releases a set of books providing detailed information on the Governor's request. Copies of these books (usually 1-5 three-ring volumes for each agency) are available in both the House and Senate finance committee rooms and may be checked out by staff. The detail books contain a great deal of information, including the following:

### • Results Delivery Unit (RDU) Summary:

This form summarizes a Results Delivery Unit's services and responsibilities. Information covered includes:

- the RDU's contribution to the department's mission;
- core services;
- end results and strategies to achieve results:
- major activities to advance strategies;
- resources (including personnel) allocated to achieve results in the current year;
- performance measure detail;
  - o key challenges;
  - o significant changes in results to be delivered; and
  - o major accomplishments for the previous fiscal year.

Results Delivery Unit — Alaska Aerospace Development Corporation

### Alaska Aerospace Development Corporation Results Delivery Unit

### **Contribution to Department's Mission**

Establish and operate a commercial launch facility promoting aerospace-related economic growth and developing corresponding technologies and support services and strengthen Alaska technological infrastructure.

#### **Core Services**

Rocket launch services.

	End Results	Strategies to Achieve Results
	(1) Strengthen Alaska's technological infrastructure.	(1) Develop state of the art Pance Satur
-	Measure: % change in hi-tech jobs in AADC	Telemetry System.  Target: DoD certification.
Γ		Measure: DoD certification approval.

### Major Activities to Advance Strategies

- Develop specification for integrated, GPS based range safety and telemetry system. Purchase and accept delivery of system.
- Train workforce.
- Lead coordination efforts w/DoD entities

FY2005 Resources Alloca	ated to Achieve Resul	lts
FY2005 Results Delivery Unit Budget: \$22,174,900	Personnel: Full time Part time	33
	Total	34

#### Performance Measure Detail

### (1) Result: Strengthen Alaska's technological infrastructure

Target: 10% increase by FYE 05.

Measure: % change in hi-tech jobs in AADC.

Analysis of results and challenges: This is a new measure and will be calculated starting in FY04.

## (1) Strategy: Develop state of the art Range Safety and Telemetry System.

Target: DoD certification.

Measure: DoD certification approval.

12/18/03 3:50 PM	FY2005 Governor	D .
	Department of Community & Economic Development	Released December 15th
	The Market Bevelopment	Page 3

Alaska Aerospa Compone	ce Development ( ent Financial Sum FY2005 Actuals	Corporation mary Alldol FY2006 Management Plan	lars shown in thousands FY2007 Governor
Non-Formula Program:			2,285.4
Non-Formula 1 1 2	932.4	1,607.4	91.1
Component Expenditures:	129.2	91.1	731.6
71000 Personal Services	802.2	666.4	21.0
71000 Personal 9	31.3	21.0	67.
72000 Travel	17.7	67.0	0.
73000 Services 73000 Services 74000 Commodities	0.0	0.0	0
74000 Commodities			
75000 Capital Outlay	0.0		3,196
75000 Capital States		2,452.9	
78000 Miscellaneous	1,912.8	•	
Totals		_	91
Expenditure Totals	20.	864.5	
o-uroes'into			1
Funding Sources: 1061 Capital Improvement Project Receipts 1061 Capital Appropriate Development	1,892	.0	
1061 Capital Improvement Projection 1001 Alaska Aerospace Development			3,19
1101 Alaska Aeruspuss E Corporation Receipts	1,912	2,452.	9

	Estir	nated Revenu	ry2006	F12001	
Description	Master Revenue	FY2005 Actuals M	anageme nt Plan	Governor	
	Account	0.2	0.0	0.0	
Unrestricted Revenues Unrestricted Fund	68515	0.2	0.0	0.0	
Unrestricted Total		20.0	864.5	911.9	
Restricted Revenues Capital Improvement	51200	51200	1,588.4	2,284.2	
Project Receipts Aerospace Development	51416	1,892.8	1,500.		
Corporate Receipts		1,912.8	2,452.9 2,452.9	3,196.1 3,196.1	
Restricted Total Total Estimated Revenues		1,913.0			

FY2007 Governor

Dept of Commerce, Community, & Economic Development

1/6/06 10:23 AM

Released December 15th

• Component Financial Summary: In conjunction with the RDU summary, a financial summary showing line item expenditures, funding sources and estimated revenue collections is given for each component within the RDU. This information is shown in three columns—the previous year's actuals, the current year management plan, and the proposed Governor's budget.

### budget resources

 Personal Services Expenditure Detail: The Personal Services Expenditure Detail form shows all Position Control Numbers (PCNs) assigned to a particular component. It also shows job class title, time status, bargaining unit, location, salary by range and step, number of months budgeted, annual salary, premium pay, annual benefits and total costs plus budgeted general fund amount. The form also summarizes the number of full-time, part-time, and non-permanent (budgeted) positions as well as budgeted vacancy factors.

#### Personal Services Expenditure Detail

Dept. of Commerce, Community, and Economic Dev.

Scenario: FY2005 Governor (3578)

Component: Alaska Aerospace Development Corporation (1424)

RDU: Alaska Aerospace Development Corporation (127)

PCN	Job Class Title	Time Status		•	) Location	Salary Sched			Split / Annual Count Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	GF Amount
08-#018	Support Manager	FT	Α	ΧE	Anchorage	AA	23 J/K	12.0	78,902	0	0	26,752	105,654	
08-#019	Support Manager	FT	Α	ΧE	Anchorage	AA	24 M/M	12.0	91,332	0	3,650	30,121	125,103	
08-?005	Public Affairs Officer	FT	Α	ΧE	Anchorage	AA	21 J	12.0	66,648	0	0	23,914	90,562	
08-?006	Intern	PT	Α	ΧE	Anchorage	AA	19 B	9.0	37,962	0	0	15,150	53,112	
08-0500	President & Chief Exec Officer	FT	Α	ΧE	Anchorage	AA	28 L	12.0	125,000	0	8,870	36,744	170,614	
08-0501	Director of Budget & Finance	FT	Α	ΧE	Anchorage	AA	22 K	12.0	74,052	0	0	25,628	99,680	
08-0503	Administrative Manager	FT	Α	XE	Anchorage	AA	15 E/F	12.0	42,768	0	0	18,383	61,151	
08-0505	Director of Administration	FT	Α	ΧE	Anchorage	AA	20 F/J	12.0	61,976	0	0	22,832	84,808	
08-0506	Budget Manager	FT	Α	ΧE	Anchorage	AA	21 F	12.0	64,236	0	0	23,355	87,591	
08-0513	Procurement Spec V	FT	Α	ΧE	Anchorage	AA	21 A	12.0	54,240	0	0	21,040	75,280	
08-0516	Contracts Manager	FT	Α	ΧE	Anchorage	AA	22 J/K	12.0	73,941	0	0	25,603	99,544	
08-0517	Accounting Tech II	FT	Α	ΧE	Anchorage	AA	14 A / B	12.0	34,561	0	0	16,482	51,043	
08-0518	Vice Pres Business Operations	FT	Α	ΧE	Anchorage	AA	27 B/C	12.0	80,894	0	0	27,213	108,107	
08-0520	Program Analyst	FT	Α	XE	Anchorage	AA	26 B	12.0	76,248	0	0	26,137	102,385	

	lotai			Total Salary Costs:	962
	Positions	New	Deleted	Total COLA:	
Full Time Positions:	13	2	0	Total Premium Pay:	1
Part Time Positions:	1	0	0	Total Benefits:	33
Permanent Positions:	0	0	0	Total Pre-Vacancy:	1,31
itions in Component:	14	2	0	Minus Vacancy Adjustment of 3.94%:	(5
				Total Post-Vacancy:	1,26
Component Months:	165.0			Plus Lump Sum Premium Pay:	
i component months.	103.0				

Note: If a position is split, an asterisk (\*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (\*\*) will appear in this column. [No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Page 1 of 2

Personal Services Line 100: 1.262.800

• Line Item Detail: Specific types of planned expenses are outlined by expenditure account in the Line Item Detail pages of the Governor's budget submittal. The unit manager includes a form for each of the major categories in which component

expenses are anticipated. These categories include, if applicable, Personal Services, Travel, Services (formerly Contractual or Contractual Services), Capital Outlay(formerly Equipment) and Grants.

Line Item Detail  Dept. of Commerce, Community, and Economic Dev.  Services							
•	ent: Alaska Aerospace DU: Alaska Aerospace	•	• • • •	FY2004 Authorized FY200	4 Management Plan	FY2005 Governor	
73000	Services			445.6	445.6	591.4	
Detail Info	ormation	Servicing		FY2004 Authorized FY200	04 Management Plan	FY2005 Governo	
Expenditu	re Account	Agency	Explanation				
73100	Professional Services		Detail Totals  Professional Services - Contractual payments for auditing, architectural, legal, scientists, and data processing.	<b>445.6</b> 319.6	<b>445.6</b> 319.6	<b>591.4</b> 462.1	
73100	Professional Services	DCED	Commissioner's Office – Management Support Services.	7.3	7.3	8.3	
73100	Professional Services	DCED	Div. of Administration Services – Management Support Services.	14.7	14.7	14.7	
73250	Data Processing Services	Admin	Information Technology Group Enterprise Productivity Rate - Computer services for mainframe applications, and automated budget system (ABS).	1.1	1.1	1.1	
73250	Data Processing Services		Alaska Communications Services Inc. (ACS) - Enterprise Productivity Rate, which includes network devices, dedicated circuits, space and power, radio, and videoconferencing	0.1	0.1	1.7	
73250	Data Processing Services	Admin	Div. of Finance – Computer services for state accounting (AKSAS) and payroll (AKPAY) systems	1.4	1.4	1.8	
73270	Other Professional Services	Admin	Div. of Personnel – pro-rated share of expenses relating to Equal Employment Opportunity (EEO) investigations.	0.2	0.2	0.2	
73270	Other Professional Services	DOL	Div. of Vocational Rehabilitation – Pro-rated share of expenses relating to Americans with Disabilities Act (ADA) enforcement.	0.2	0.2	0.3	
	Page 3 of 7		State of Alaska Office of Management & Budget	10-15-20	004 9:37 am		

# Tip

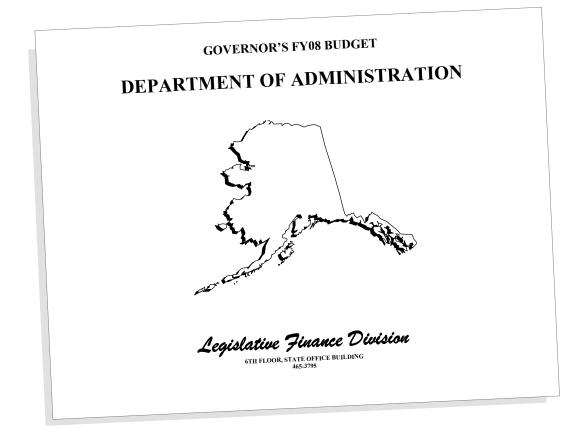
#### Schedule a walk-through of the Governor's Budget Books

Staff are encouraged to contact the appropriate Legislative Finance fiscal analyst for a thorough walk-through of the Governor's detail budget books and short forms. The best time to do this is soon after subcommittee assignments are made.

### **Governor's Budget Request Books**

(or Short Forms)

Legislative Finance produces these "Short Forms," in early January. These books are the starting point for the operating budget hearing process. Each agency's book shows appropriation and allocation structure. Following summary information, Allocation Detail forms provide information on line items, funding sources and positions. Change Detail forms show every change, by transaction, from the prior year budget (enacted by the legislature) to the Governor's request.



#### **Conference Committee Books**

These books are printed after the Governor completes his review of the final budget bill. They are usually available in August. The reports compare the Governor's proposal (as amended), House, Senate and Conference Committee versions of the operating budget. A final "Enacted" column indicates any gubernatorial vetoes. Additional information in the conference committee report includes legislative intent, fiscal notes for new legislation, supplemental appropriations and revised programs requiring legislative approval (RPLs) impacting the

prior fiscal year, plus special appropriations outside the operating budget bill.

### Fiscal Year 2008 Operating Budget

# **Department of Administration**



Legislative Finance Division P.O. Box 113200 Juneau, Alaska 99811-3200 (907) 465-3795 (907) 465-1327 FAX www.legfin.state.ak.us

### budget resources

#### **House District Reports**

(formerly called Election District Report)

Contains reports of projects included in the capital and reappropriations bill sorted by election district and by agency.

#### **Summary of Appropriations**

The Summary of Appropriations includes the fiscal summary, revenue source projections, appropriations for the operating and capital budgets, debt service, loan fund capitalization and fund transfers, Revised Program Legislative (RPL), and supplementals. The Summary of Appropriations also contains a copy of all appropriations bills (with any vetoes or changes made by the Governor) that passed in the previous session.

#### **Revenue Sources Book**

Produced by the Department of Revenue, this document details all revenue received (and projected to be received) by the state. This resource is often used when forecasting the fiscal gap/surplus. Forecasts are usually released in December and in April.

#### **Web Sites**

### Legislative Finance Division's site contains:

Operating, Capital, and Supplemental Budget reports, current RPL information, Fiscal Summary, Historical information

http://www.legfin.state.ak.us

## Office of Management & Budget's site contains:

Operating, Capital and Supplemental Budget bills, Fiscal Summary, various Forms and Manuals including Missions & Measures, Procurement, Audit and Cost Recovery, RP, RPL, & RSA manuals and agreements

http://www.gov.state.ak.us/omb/





### fund sources & fund groups

A valid appropriation must specify at least four things:

- a fund source;
- · an amount;
- a stated purpose for the appropriation;
- a time frame in which the appropriation is valid (typically, operating budget appropriations are valid for one year and capital budget appropriations are valid for five years or the life of the project).

Some appropriations also cite statutory expenditure authorization. This section discusses the fund source portion of a valid appropriation and why fund sources are summarized according to fund groups.

### **Fund Sources**

Although every appropriation requires specification of the source of funds, the numbers sections of appropriations bills do not list specific fund sources. Bills list funding at the appropriation level only as "General Funds" and "Other Funds." To determine individual fund sources used in an appropriation, the "Allocation Detail" reports

generated by the Legislative Finance Division (LFD) must be used.

Fund sources are one of the budget tools used to make appropriations and, because each fund source is given a four-number code, are typically called fund codes. Below are answers to common questions the LFD receives regarding fund codes.

#### Why are fund codes created?

All fund codes are created by LFD when a fund source is needed (or desired) in the budget process. Reasons new fund sources may be created include the following:

#### Legislation creates a new fund(s).

A fund source may be created when legislation creating a new fund is passed and an appropriation from this fund is made. Note: A fund source is created only if it is needed to appropriate that funding. For example, there is no fund code for the Alaska Permanent Fund because the principal cannot be spent [the Permanent Fund's Earnings Reserve Account (the account that pays the Permanent Fund Dividends) is appropriated and has its own code].

Fund sources are one of the budget tools used to make appropriations and, because each fund source is given a four-number code, are typically called fund codes.

### fund sources & fund groups

# To track (and/or limit) appropriations from a particular revenue source.

A new fund code may be created when the legislature would like to track appropriations for a particular purpose. For example, both the dividends received from AIDEA and AIDEA's internal operating budget were once appropriated using a fund source called "corporate receipts." To separate appropriations for internal operations from dividends, two new fund codes were created (called "AIDEA Receipts" and "AIDEA Dividends").

# A *current* fund source is replaced (or supplemented) by a *new* fund source.

Sometimes new fund codes are created (either by statute or by direction of the legislature) to change the way fund sources are categorized in budget summaries. For example, the general fund program receipt (GF/PR) fund source was established to identify programs supported by fees paid by the recipients of the program's services. When the "Five-Year Plan" (FY97-FY01) put pressure on general fund budgets, program receipt funding was constantly a target of cuts. To reduce the temptation to cut user-supported programs, legislation was passed that placed most program receipts funding into the "Other Funds" group, and LFD created a new fund source called "Receipts Supported Services" to implement the change. Some of

the programs using this fund source are Occupational Licensing, the Alaska Seafood Marketing Institute, Commercial Fisheries Entry Commission, and the Pioneers' Homes.

### How many fund sources are there?

There are more than 180 fund sources and each fund source has its own four digit code. The most commonly used funding sources are general funds (1004), general fund match (1003), and federal receipts (1002).

## How do I find out what fund source a particular appropriation uses?

There are several ways to find out which fund source(s)has been used for an appropriation:

- Language sections of an appropriation bill contain specific funding sources identified in the language;
- The numbers section of the operating budget includes a section listing all funding sources appropriated to each agency, but provides no further detail. At the appropriation level, the numbers section of an appropriation bill summarizes funding sources in four columns with the following titles:
  - Allocations: includes the allocation's total funding;
  - Appropriation Items: includes appropriation's entire total funding;
  - General Funds: includes ALL general fund sources in the appropriation;
  - Other Funds: includes all non-general funds (including federal funds).

To obtain specific funding at the appropriation/allocation level, one must look at the appropriation or allocation detail reports generated by Legislative Finance. These reports can be obtained from:

- the LFD web site;
- LFD publications (for more information please see the "Budget Resources" section in this publication);
- a LFD analyst.

### Can one fund source be substituted for another?

Rarely. Appropriated fund sources are very specific and do not allow for substitution. A rare exception is that GF/Match and GF are interchangeable. This exception is made because the purpose of the GF/Match code--to track required match-is promoted when agencies are free to report actual match requirements.

### **Fund Groups**

Funding sources are often placed into funding groups in order to summarize budget activity. Although funds can be grouped in a number of ways, the most common summary is the "federal/general/other" fund grouping. See the sidebar to the right.

# "Federal," "General," and "Other" funds

The federal funds group contains funding received from the federal government. The "general" and "other" fund groups are comprised of state funds. The "other" fund group contains all non-federal fund codes except those in the general fund group,

including duplicated funding (such as interagency receipts). Although the Governmental Accounting Standards Board indicates that all state funds are technically part of the general fund, the legislature has found it convenient to establish special accounts within the general fund to track certain kinds of revenues and appropriations.

#### **State(Non-Duplicated) Funds.**

This fund group gives the most accurate estimate of appropriated state funding. All state funding (both general funds and other funds) is counted--except duplicated expenditures. Reports using this fund group will not match the appropriations bill because the appropriations bill includes duplicated appropriations.

# 8-Way Funding Breakout for Fiscal Summary

The fiscal summary breaks funding into eight groups. These groups highlight the fund groups the legislature truly controls. The following groups are arranged by the order of legislative control.

#### 1. General Fund expenditures

include general fund match, general fund program receipts, general fund mental health, and "pure" general fund expenditures.

**2. Other Undesignated** includes all non-federal, non-general fund codes that are <u>not</u> designated for a

Tip

LFD can sort/filter fund codes and prepare reports to meet individual needs.

### fund sources & fund groups

specific purpose by statute. Use of fund codes in this group is restricted only in the sense that appropriations are limited to the amount of funds available. Examples include corporate dividends, business license receipts, miscellaneous earnings, the Investment Loss Trust Fund and the Constitutional Budget Reserve Fund.

- 3. Other Designated includes all non-federal, non-general fund codes that are designated for a specific purpose by statute. The legislature traditionally complies with designations, but may use these funds for any purpose at any time. This is the largest group of codes.
- 4. Permanent Fund expenditures include inflation proofing deposits into the fund, dividends and administrative costs. They also include special deposits to the fund as appropriated by the legislature. Arguably, the PFERA could be included in the undesginated group because the ERA can be used for any purpose. Because the ERA has not been used extensively for general purposes, we have placed it in a separate category.
- **5. Bonds/Debt Service** includes proceeds of general obligation bonds, revenue bonds, certificates of participation, and the debt service or contractual payments associated with them. Debt issued and paid by state corporations is excluded.

- **6. Trusts** include the Alaska Advance College Tuition Savings Fund, the Alyeska Settlement Fund, the Mental Health Trust, the Exxon Valdez Oil Spill Restoration Fund and several funds associated with public employee retirement systems.
- **7. Federal expenditures** include all federal funds received and spent by the State. Federal funds typically can be used only for the specific purposes for which they are received. Although, some federal funds have no restrictions, the amount is not significant enough to warrant creating another fund group.
- **8. Dedicated expenditures** as provided for in the Constitution include expenditures by the School Fund (cigarette tax), Public School Fund, Second Injury Fund, Fisherman's Fund and the Fish and Game Fund.

#### "Unrestricted" and "Restricted" funds

Another important distinction between funding sources is whether the funding is restricted or unrestricted. Funding can be **restricted** in two ways:

#### 1. By purpose:

- Restricted Funding. Funding restricted by purpose can be appropriated (and spent) only for that particular purpose. For example, expenditures of most federal funding can occur only for the purpose specified by a federal grant. For instance, federal funding received for the restoration of bulk fuel tanks in rural villages cannot be redirected by the legislature to pave roads.
- Unrestricted Funding. Unrestricted funding can be appropriated for any purpose within the constraints of the appropriation's structure and mission. For instance, if the legislature appropriates \$100,000 of general funds to the Department of Administration, Commissioner's Office to pay for a Deputy Commissioner, the money could actually be used to

purchase a new copier or for any other purpose that fits the mission of the appropriation.

#### 2. By amount available:

- **Restricted Funding.** Although restricted fund sources may be appropriated, in theory, the state's accounting system (AKSAS) places a restriction on the expenditures of this funding until it is received. When the funding is received the restriction is lifted and the receipts can be spent. It is similar to having an empty checking account. You may have a full book of checks but cannot use them until a deposit is made. For example, expenditures of more than \$7 million in program receipts was authorized by the legislature in the Alaska Seafood Marketing Institute's (ASMI) budget. However, ASMI could spend only \$4.5 million because that was the amount received.
- Unrestricted Funding. An appropriation of unrestricted funding can be spent as soon as the appropriation is valid. Unrestricted funding is like having money in the bank. You don't have to wait for your paycheck to be deposited before you can spend it. General funds are unrestricted.

**Note:** Regardless of how much revenue is received by the state, the accounting system places spending limits on both restricted and unrestricted funds. The spending limits are based on the amount of funding appropriated.

### **Funding Source Roll-ups**

### **FUNDING SOURCE ROLL-UPS**

#### **GENERAL FUNDS GROUP**

1003 General Fund March

1004 General Fund Receipts

1005 General Fund/Program Receipts

1037 General Fund/Mental Health

#### FEDERAL FUNDS GROUP

1002 Federal Receipts

1013 Alcoholism and Drug Abuse Revolving Loan Fund

1014 Donated Commodity/Handling Fee Account

1016 CSSD Federal Incentive Payments

1033 Federal Surplus Property Revolving Fund

1043 Federal Impact Aid for K-12 Schools

1063 National Petroleum Reserve Fund

1133 CSSD Administrative Cost Reimbursement

1188 Federal Unrestricted Receipts

#### OTHER FUNDS GROUP

All funding sources not in the general or federal groups

### FUNDING CODES/NAMES CURRENTLY IN USE AS OF 10/16/06 (ALPHABETICAL ORDER)

EUND CODE	SHORT NAME	LONG NAME
1148	AATP Fund	Accelerated Alaska Transportation Projects Fund
1190	Adak Air	Adak Airport Operations
1021	Agric RLF	Agricultural Revolving Loan Fund
1011	AACTS Fund	Alaska Advance College Tuition Savings Fund
1101	AADC Fund	Alaska Aerospace Development Corporation Revolving Fund
1197	AK Cap Fnd	Alaska Capital Income Fund
1075	Clean Wtr	Alaska Clean Water Fund
1106	ACPE Rcpts	Alaska Commission on Postsecondary Education Receipts
1044	•	, , , , , , , , , , , , , , , , , , , ,
1100	ADRF ADWF	Alaska Debt Retirement Fund Alaska Drinking Water Fund
1107		Alaska Energy Authority Corporate Receipts
1152	AEA Rcpts AFSC Rcpts	Alaska Fire Standards Council Receipts
1198	F&GRevBond	Alaska Fish and Game Revenue Bond Redemption Fund
1139	AHFC Div	Alaska Housing Finance Corporation Dividend
1103	AHFC DIV	Alaska Housing Finance Corporation Dividend
1113	AHFC Ropus AHFC Bonds	Alaska Housing Finance Corporation Statewide Bonds
1102	AIDEA Ropt	Alaska Industrial Development & Export Authority Receipts
1102	AIDEA RCPI	Alaska Industrial Development and Export Authority Dividend
1135	AMHS Dup	Alaska Marine Highway System Duplicated Expenditures
1076	Marine Hwy	Alaska Marine Highway System Fund
1104	AMBB Rcpts	Alaska Municipal Bond Bank Receipts
1162	AOGCC Rct	Alaska Oil & Gas Conservation Commission Receipts
1125	APA Plant	Alaska Power Authority Plant Maint & Op - FY88
1110		,
1110	APUC Rcpts ARRC Fund	Alaska Public Utility Commission Receipts Alaska Railroad Corporation Revenue Fund - FY85, FY86, FY87
1199		•
1186	Sportfish ASLC Bonds	Alaska Sport Fishing Enterprise Account Alaska Student Loan Corporation Bonds
1150	ASLC Bollds ASLC Div	Alaska Student Loan Corporation Dividend
1181	Vets Endow	Alaska Veterans' Memorial Endowment Fund
1180	A/D T&P Fd	Alcohol and Other Drug Abuse Treatment & Prevention Fund
1013	Al/Drg RLF	Alcoholism and Drug Abuse Revolving Loan Fund
1073	Alt Energy	Alternative Energy Revolving Loan Fund
1084	Alveska	Alyeska Settlement Fund
1082	Vessel Rep	AMHS Vessel Replacement Fund
1145	AIPP Fund	Art in Public Places Fund
1172	Bldg Safe	Building Safety Account
1074	Bulk Fuel	Bulk Fuel Revolving Loan Fund
1175	BLic&Corp	Business License & Corporation Filing Fees and Taxes
1061	CIP Rcpts	Capital Improvement Project Receipts
1123	Care/Trmnt	Care and Treatment - FY88
1163	COP	Certificates of Participation
1068	Child Care	Child Care Facility Revolving Loan Fund
1128	Child Sup	Child Support Enforcement - FY88
1098	ChildTrErn	Children's Trust Earnings
1099	ChildTrPrn	Children's Trust Principal
1093	Clean Air	Clean Air Protection Fund
1144	CWF Bond	Clean Water Fund Bond Receipts
1201	CFEC Rcpts	Commercial Fisheries Entry Commission Receipts
1036	Cm Fish Ln	Commercial Fishing Loan Fund
1166	Vessel Com	Commercial Passenger Vessel Environmental Compliance Fund
1165	CBR/MH	Constitutional Budget Reserve / Mental Health
	- *****	

### FUNDING CODES/NAMES CURRENTLY IN USE AS OF 10/16/06 (ALPHABETICAL ORDER)

EUND CODE	SHORT NAME	LONG NAME
1001	CBR Fund	Constitutional Budget Reserve Fund
1204	Contingent	Contingent Appropriations Temp Code
1126	Contingent Cont Reimb	Contract Services Reimbursement - FY88
1059	Corr Ind	Correctional Industries Fund
1133	CSSD Admin	CSSD Administrative Cost Reimbursement
1016	CSSD Fed	CSSD Federal Incentive Payments
1191	DEED CIP	DEED CIP Fund Equity Account
1137	DComp IA	Deferred Compensation Inter-Agency Receipts
1116	Dis Relief	Disaster Relief Fund
1014	Donat Comm	Donated Commodity/Handling Fee Account
1159	DWF Bond	Drinking Water Fund Bond Receipts
1083	Educ Facil	Education Facilities Maint & Construction Fund
1046	Educ Loan	Education Loan Fund
1182	Ed Cn/Mnt	Educational and Museum Facility Design/Const/MajorMaint Fund
1185	Elect Fund	Election Fund
1056	Elect Svc	Electrical Service Extension Fund
1158	Emp Pay	Employee Pay
1114	EVOS Rest	Exxon Valdez Oil Spill Restoration Fund
1018	EVOS Trust	Exxon Valdez Oil Spill Trust
1043	Impact Aid	Federal Impact Aid for K-12 Schools
1187	Fed MH	Federal Mental Health
1002	Fed Rcpts	Federal Receipts
1033	Surpl Prop	Federal Surplus Property Revolving Fund
1188	Fed Unrstr	Federal Unrestricted Receipts
1146	Fee Supp	Fee Supported Increase
1023	FICA Acct	FICA Administration Fund Account
1134	F&G CFP	Fish and Game Criminal Fines and Penalties
1024	Fish/Game	Fish and Game Fund
1194	F&G NonDed	Fish and Game Nondedicated Receipts
1070	FishEn RLF	Fisheries Enhancement Revolving Loan Fund
1032	Fish Fund	Fishermen's Fund
1111	FishFndInc	Fishermen's Fund Income
1090	4 Dam Pool	Four Dam Pool Transfer Fund
1037	GF/MH	General Fund / Mental Health
1003	G/F Match	General Fund Match
1006	GF/MHTIA	General Fund/Mental Health Trust Income Account
1005	GF/Prgm	General Fund/Program Receipts
1091	GF/Desig	General Funds - Designated
1008	G/O Bonds	General Obligation Bonds
1184	GOB DSFUND	General Obligaton Bond Debt Service Fund
1077	Gifts/Grnt	Gifts/Grants/Bequests
1020	Grain Fund	Grain Reserve Loan Fund
1017	Group Ben	Group Health and Life Benefits Fund
1097	AETNA Res	Group Health and Life Benefits Fund (AS 39.30.095)
1130	Handcap Fn	Handicapped Vendor Facility Fund - FY88
1138	HIth I/A	Health Inter-Agency Receipts
1026	HwyCapital	Highways Equipment Working Capital Fund
1069	Hist Dist	Historical District Revolving Loan Fund
1064	House Loan	Housing Assistance Revolving Loan Fund
1081	Info Svc	Information Services Fund
1007	I/A Rcpts	Interagency Receipts
1055	IA/OIL HAZ	Inter-Agency/Oil & Hazardous Waste

### FUNDING CODES/NAMES CURRENTLY IN USE AS OF 10/16/06 (ALPHABETICAL ORDER)

FUND CODE	SHORT NAME	LONG NAME
1112	IntAptCons	International Airports Construction Fund
1027	IntAirport	International Airports Revenue Fund
1177	ITB Endow	International Trade and Business Endowment
1115	ITBEndEarn	International Trade and Business Endowment Earnings
1053	Invst Loss	Investment Loss Trust Fund
1096		Investment Loss Trust Fund (error)
1042	Jud Retire	Judicial Retirement System
1129	Legal Recp	Legal Settlement Receipts - FY88
1122	LIC/PER/CT	License/Permits/Certification Pre 89
1193	MaintGrant	Major Maintenance Grant Fund
1160	M/C Protec	Marine/Coastal Protection
1196	Master LOC	Master Lease Line of Credit
1095	Med Facil	Medical Facilities Special Bond Guarantee Account
1094	MHT Admin	Mental Health Trust Administration
1092	MHTAAR	Mental Health Trust Authority Authorized Receipts
1192	Mine Trust	Mine Reclamation Trust Fund
1067	Mining RLF	Mining Revolving Loan Fund
1173	Misc Earn	Miscellaneous Earnings
1120	Motor Fuel	Motor Fuel Tax Increase
1121	MultiFunds	Multiple Funds pre FY94
1087	Muni Match	Municipal Capital Project Matching Grant Fund
1045	Nat Guard	National Guard Retirement System
1063	NPR Fund	National Petroleum Reserve-Alaska Special Revenue Fund
1052	Oil/Haz Fd	Oil/Hazardous Release Prevention & Response Fund
1060	OF(Pre'84)	Other Funds (Pre-FY '84 Only)
1202	SHAKWAK	Paddywhack Bone Fund
1179	PFC	Passenger Facility Charges
1105	PFund Rcpt	Permanent Fund Corporation Receipts
1050	PFD Fund	Permanent Fund Dividend Fund
1041	PF ERA	Permanent Fund Earnings Reserve Account
1171	PFD Crim	PFD Appropriations in lieu of Dividends to Criminals
1118	Pioneers'	Pioneers' Homes Receipts
1089	PCE Fund	Power Cost Equalization & Rural Electric Capitalization Fund
1169	PCE Endow	Power Cost Equalization Endowment Fund
1073	Pwr Dv RLF	Power Development Revolving Loan Fund
1062	Power Proj	Power Project Fund
1028	Pre90 PRGM	Pre-FY90 Program Receipts
1147	PublicBldg	Public Building Fund
1029	PERS Trust	Public Employees Retirement Trust Fund
1066	Pub School	Public School Trust Fund
1132	Publ/Other	Publications and Other Services - FY88
1012	Rail Enrgy	Railbelt Energy Fund
1085	Rail InTie	Railbelt Intertie Reserve Fund
1040	Surety Fnd	Real Estate Surety Fund
1156	Rcpt Svcs	Receipt Supported Services
1141	RCA Rcpts	Regulatory Commission of Alaska Receipts
1161	RRD Fund	Renewable Resources Development Fund
1072	Res Energy	Residential Energy Conservation Fund
1124	Res Receip	Resource Assessment Receipts - FY88
1000	Restrtd GF	Restricted General Fund
1143	RHIF/LTC	Retiree Health Insurance Fund/Long-Term Care
1142	RHIF/MM	Retiree Health Insurance Fund/Major Medical

### fund sources & fund groups

### FUNDING CODES/NAMES CURRENTLY IN USE AS OF 10/16/06 (ALPHABETICAL ORDER)

LONG NAME

FUND CODE CHORT NAME

FUND CODE	SHORT NAME	LONG NAME
1009	Rev Bonds	Revenue Bonds
1164	Rural Dev	Rural Development Initiative Fund
1051	RuralEcDev	Rural Economic Development Initiative Fund
1065	Rural Elec	Rural Electrification Revolving Loan Fund
1080	Schl Const	School Construction Grant Fund
1030	School Fnd	School Fund
1025	Sci/Tech	Science & Technology Endowment Income
1176	Sci/T End	Science and Technology Endowment
1031	Sec Injury	Second Injury Fund Reserve Account
1189	SeniorCare	Senior Care Fund
1078	Sr Housing	Senior Housing Revolving Loan Fund
1154	Shore Fish	Shore Fisheries Development Lease Program
1170	SBED RLF	Small Business Economic Development Revolving Loan Fund
1057	Small Bus	Small Business Revolving Loan Fund
1086	SE Energy	Southeast Energy Fund
1195	SpecVehRct	Special Vehicle Registration Receipts
1022	Corp Rcpts	State Corporation Receipts
1153	State Land	State Land Disposal Income Fund
1019	Reforest	State Land Reforestation Fund
1054	STEP	State Training & Employment Program
1108	Stat Desig	Statutory Designated Program Receipts
1136	SBS IA	Supplemental Benefits Systems Inter-Agency Receipts
1034	Teach Ret	Teachers Retirement Trust Fund
1151	VoTech Ed	Technical Vocational Education Program Receipts
1178	temp code	temporary code
1109	Test Fish	Test Fisheries Receipts
1155	Timber Rcp	Timber Sale Receipts
1119	Tobac Setl	Tobacco Settlement
1167	TobSetSale	Tobacco Settlement Revenue Sale
1168	Tob ED/CES	Tobacco Use Education and Cessation Fund
1058	Tour RLF	Tourism Revolving Loan Fund
1049	Trng Bldg	Training and Building Fund
1149	TAPL	Trans-Alaska Pipeline System Liability Fund
1183	Trans Proj	Transportation Project Fund
1079	Tank RLF	Underground Storage Tank Revolving Loan Fund
1088	Uninc Mtch	Unincorporated Community Capital Matching Grant Fund
1015	UA/DFA SVC	University of Alaska Dormitory/Food/Auxiliary Service
1039	UA/ICR	University of Alaska Indirect Cost Recovery
1010	UA/INT INC	University of Alaska Interest Income
1174	UA I/A	University of Alaska Intra-Agency Transfers
1048	Univ Rcpt	University of Alaska Restricted Receipts
1038	UA/STF SVC	University of Alaska Student Tuition/Fees/Services
1004	Gen Fund	Unrestricted General Fund Receipts
1127	User Fees	User Fees - FY88
1047	SSBG	USHHS Social Services Block Grant
1200	VehRntlTax	Vehicle Rental Tax Receipts
1035	Vets RLF	Veterans Revolving Loan Fund
1117	Voc SmBus	Vocational Rehabilitation Small Business Enterprise Fund
1203	WCBenGF	Workers Compensation Benefits Guarantee Fund
1157	Wrkrs Safe	Workers Safety and Compensation Administration Account
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### Appropriation Law & Uniform Rule 42



### The Constitution of the State of Alaska

# Article IX Finance and Taxation

#### **Section 9.1 - Taxing Power.**

The power of taxation shall never be surrendered. This power shall not be suspended or contracted away, except as provided in this article.

#### **Section 9.2 - Nondiscrimination.**

The lands and other property belonging to citizens of the United States residing without the State shall never be taxed at a higher rate than the lands and other property belonging to the residents of the State.

### Section 9.3 - Assessment Standards.

Standards for appraisal of all property assessed by the State or its political subdivisions shall be prescribed by law.

#### **Section 9.4 - Exemptions.**

The real and personal property of the State or its political subdivisions shall be exempt from taxation under conditions and exceptions which may be provided by law. All, or any portion of, property used exclusively for nonprofit religious, charitable, cemetery, or educational purposes, as defined by law, shall be exempt from taxation. Other exemptions of like or different kind may be granted by general law. All valid existing exemptions shall be retained until otherwise provided by law.

**Section 9.5 - Interests in Government Property.** Private leaseholds, contracts, or interests in land or property owned or held by the United States, the State, or its political subdivisions, shall be taxable to the extent of the interests.

#### **Section 9.6 - Public Purpose.**

No tax shall be levied, or appropriation of public money made, or public property transferred, nor shall the public credit be used, except for a public purpose.

#### **Section 9.7 - Dedicated Funds.**

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in Section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

#### **Section 9.8 - State Debt.**

No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question. The State may, as provided by law and without ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural

disasters, or redeeming indebtedness outstanding at the time this constitution becomes effective.

#### Section 9.9 - Local Debts.

No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvements by its governing body and ratified by a majority vote of those qualified to vote and voting on the question.

#### Section 9.10 - Interim Borrowing.

The State and its political subdivisions may borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues for that year, but all debt so contracted shall be paid before the end of the next fiscal year.

#### Section 9.11 - Exceptions.

The restrictions on contracting debt do not apply to debt incurred through the issuance of revenue bonds by a public enterprise or public corporation of the State or a political subdivision, when the only security is the revenues of the enterprise or corporation. The restrictions do not apply to indebtedness to be paid from special assessments on the benefited property, nor do they apply to refunding indebtedness of the State or its political subdivisions.

#### Section 9.12 - Budget.

The governor shall submit to the legislature, at a time fixed by law, a budget for the next fiscal year setting forth all proposed expenditures and anticipated income of all departments, offices, and agencies of the State. The governor, at the same time, shall submit a general appropriation bill to authorize the proposed expenditures, and a bill or bills covering recommendations in the budget for new or additional revenues.

#### Section 9.13 - Expenditures.

No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Unobligated appropriations outstanding

at the end of the period of time specified by law shall be void.

### Section 9.14 - Legislative Post-Audit.

The legislature shall appoint an auditor to serve at its pleasure. He shall be a certified public accountant. The auditor shall conduct post-audits as prescribed by law and shall report to the legislature and to the governor.

## Section 9.15 - Alaska Permanent Fund.

At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

### Section 9.16 - Appropriation Limit.

Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public

corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of threefourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.

### Section 9.17 - Budget Reserve Fund.

- (a) There is established as a separate fund in the State treasury the budget reserve fund. Except for money deposited into the permanent fund under Section 15 of this article, all money received by the State after July 1, 1990, as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. Money in the budget reserve fund shall be invested so as to yield competitive market rates to the fund. Income of the fund shall be retained in the fund. Section 7 of this article does not apply to deposits made to the fund under this subsection. Money may be appropriated from the fund only as authorized under (b) or (c) of this section.
- (b) If the amount available for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year, an appropriation may be made from the budget reserve fund. However, the amount appropriated from the fund under this subsection may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year.
- (c) An appropriation from the budget reserve fund may be made for any public purpose upon affirmative vote of three-fourths of the members of each house of the legislature.
- (d) If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the general fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law.

#### Alaska Statutes

#### Title 37. Public Finance Chapter 37.05. Fiscal Procedures Act Article 01. Administration

## Sec. 37.05.010. Bond of commissioner of administration.

The commissioner of administration, before entering upon official duties, shall execute a good and sufficient bond in the sum of \$10,000 payable to the state, conditioned upon the faithful performance of duties imposed by law. The premium on each bond shall be paid in the same manner as other expenses of the department.

#### Sec. 37.05.020. Regulations.

The Department of Administration shall adopt regulations for the performance of its powers or duties, the execution of its business, and its relations to and business with other state agencies.

Sec. 37.05.030. Financial reports and statements. [Repealed, Sec. 19 ch 6 SLA 1998].

#### Sec. 37.05.035. Annual state loan reports.

Each state agency that makes or purchases a loan shall prepare an annual report of the aggregate of all loans, by type, made or purchased by the state agency during the preceding fiscal year. The report must include the estimated rate of interest that would have been charged if the loan had been made or purchased at prevailing market rates and must include the difference between the return on the loan that would have been realized under that estimated rate of interest and the return on the loans under the interest rate actually charged. In the absence of a prevailing market rate in the state, the state agency shall use a rate that, in the judgment of the agency, is comparable to a prevailing market rate. The report must also include an analysis of the income groups benefited under the loan programs. By January 30 of each year the state agency shall notify the

legislature that the report prepared under this section is available.

**Sec. 37.05.040. Legal custody of records.** The commissioner has the legal custody of all records, memoranda, writing, entries, prints, representations, or combinations of them, of any act, transaction, occurrence, or event of the department.

**Sec. 37.05.050. Federal funds.** Federal funds received by an agency shall be deposited in the state treasury and disbursed in the same manner as other state money. Federal funds are subject to the fiscal controls imposed by this chapter, except where federal laws or regulations prevent the funds from being deposited, appropriated, allocated, accounted for, or expended as provided by this chapter and other laws not inconsistent with this chapter.

Sec. 37.05.060. - 37.05.120 [Repealed, Sec. 3 ch 188 SLA 1970].

#### **Article 02. Uniform Accounting**

#### Sec. 37.05.130. General powers.

The Department of Administration is responsible for all accounts and purchases.

#### Sec. 37.05.140. Accounting system.

(a) The Department of Administration shall maintain centralized accounting records that include the general and controlling accounts of the state. The state agencies shall prepare and transmit the documents prescribed by the department and shall submit the reports and statements required in order to carry out this chapter. Statistical or cost accounts related to the control accounts may be maintained by the department or by the agency as determined by the department, after consultation with the head of the agency concerned. Duplicate accounting records may not

be maintained, except in the office of the Department of Administration as it directs.

- (b) [Repealed, Sec. 18 ch 9 SLA 1994].
- (c) [Repealed, Sec. 18 ch 9 SLA 1994].
- (d) The Department of Administration after consultation with the head of the agency concerned may decide not to maintain all or any part of the accounting records for an agency if the department finds that to do so would result in an appreciable loss of federal grant-in-aid funds to defray the administrative costs of maintaining the records.

#### Sec. 37.05.142. Accounting for program receipts.

The Department of Administration shall establish and maintain separate accounts by program source for all program receipts that state agencies deposit under AS 37.10.050 or under another statute if the program receipts are exempted by law from the deposit requirements of AS 37.10.050.

**Sec. 37.05.144. Appropriations based upon program receipts.** The annual estimated balance in each account maintained under AS 37.05.142 may be used by the legislature to make appropriations to state agencies to administer the programs generating the program receipts, to implement the laws related to the functions generating the program receipts, or to cover costs associated with the collection of the program receipts.

# Sec. 37.05.146. Definition of program receipts and non-general fund program receipts.

- (a) In AS 37.05.142 37.05.146 and AS 37.07.080 "program receipts" means fees, charges, income earned on assets, and other state money received by a state agency in connection with the performance of its functions. Unless otherwise provided in this section, program receipts are accounted for within, and appropriated from, the general fund of the state.
- (b) The program receipts listed in this subsection are accounted for separately, and appropriations from these program receipts are not made from the unrestricted general fund:

- (1) federal receipts;
- (2) University of Alaska receipts (AS 14.40.491);
- (3) designated program receipts; in this paragraph, "designated program receipts" means money received by the state from a source other than the state or federal government that is restricted to a specific use by the terms of a gift, grant, bequest, or contract;
- (4) receipts of or from the trust established by AS 37.14.400 37.14.450, except reimbursements described in AS 37.14.410;
- (5) receipts of the Alaska Fire Standards Council for which a taxpayer is allowed a credit under AS 21.89.075.
- (c) The program receipts of the following are accounted for separately, and appropriations from these program receipts are not made from the unrestricted general fund:
  - (1) highway working capital fund (AS 44.68.210);
  - (2) correctional industries fund (AS 33.32.020);
  - (3) loan funds;
  - (4) international airport revenue fund (AS 37.15.430);
  - (5) corporate receipts earned or managed by a public corporation of the state;
  - (6) fish and game fund (AS 16.05.100);
  - (7) school fund (AS 43.50.140);
  - (8) training and building fund (AS 23.20.130);
  - (9) retirement funds (AS 14.25, AS 22.25, AS 26.05.222, AS 39.35, and former AS 39.37);
  - (10) permanent fund (art. IX, sec. 15, Alaska Constitution);
  - (11) public school trust fund (AS 37.14.110);
  - (12) second injury fund (AS 23.30.040);
  - (13) fishermen's fund (AS 23.35.060);
  - (14) FICA administration fund (AS 39.30.050);
  - (15) receipts of the employee benefits program established under AS 39.30.150 39.30.180;
  - (16) receipts of the deferred compensation program established under AS 39.45;
  - (17) clean air protection fund (AS 46.14.260);
  - (18) receipts of the group insurance programs

- established under AS 39.30.090;
- (19) mental health trust fund (AS 37.14.031);
- (20) Alaska children's trust (AS 37.14.200);
- (21) commercial fisheries test fishing operations (AS 16.05.050(a)(15));
- (22) Regulatory Commission of Alaska under AS 42.05 and AS 42.06;
- (23) Alaska Oil and Gas Conservation Commission under AS 31.05;
- (24) receipts of the Department of Commerce, Community, and Economic Development under AS 08.01.065 (a), (c), and (f);
- (25) receipts from the seafood marketing assessment under AS 16.51.120 16.51.170, the salmon marketing tax under AS 43.76.110 43.76.130, and other receipts of the Alaska Seafood Marketing Institute;
- (26) the administrative cost charge under
- AS 44.33.113 for the state's role in the federal community development quota program;
- (27) dive fishery management assessment receipts (AS 43.76.150), salmon fishery assessment receipts (AS 43.76.220), and permit buy-back assessment receipts (AS 43.76.300);
- (28) process service fees collected by the Department of Public Safety;
- (29) Alaska Commercial Fisheries Entry Commission under AS 16.05.490 , 16.05.530, and AS 16.43;
- (30) receipts of the Alaska Vocational Technical Center;
- (31) Alaska Pioneers' Home and Alaska Veterans' Home care and support receipts under AS 47.55.030;
- (32) receipts of the Department of Transportation and Public Facilities from tolls charged for use of the Whittier Tunnel;
- (33) receipts of the Department of Commerce, Community and Economic Development, division of insurance, from license fees and fees for services; (34) receipts of the division of the Department

- of Commerce, Community, and Economic Development that regulates banking, securities, and corporations;
- (35) receipts of the Department of Corrections from the electronic prisoner monitoring program under AS 33.30.065 (d);
- (36) receipts of the Department of Corrections from the operation of community residential centers;
- (37) receipts of the Alaska Police Standards Council;
- (38) receipts of the Department of Public Safety from fees for fire and life safety plan checks under AS 18.70.080 (b);
- (39) receipts of the Department of Transportation and Public Facilities from the measurement standards and commercial vehicle enforcement program;
- (40) receipts of the Department of Education and Early Development for teacher certification under AS 14.20.020;
- (41) receipts of the Professional Teaching Practices Commission from professional certification fees;
- (42) receipts of the Department of Health and Social Services, Bureau of Vital Statistics;
- (43) receipts of the Department of Corrections from the inmate telephone system;
- (44) receipts of the Department of Public Safety from the Alaska automated fingerprint system under AS 44.41.025 (b);
- (45) receipts of the Department of Administration from the boat registration program under AS 05.25.096;
- (46) state land disposal program (AS 38.04.022);
- (47) shore fisheries development lease program account (AS 38.05.082(f));
- (48) timber receipts account (AS 38.05.110);
- (49) workers' safety and compensation administration account (AS 23.05.067);
- (50) receipts of fees for recording and related services of the Department of Natural Resources (AS 40.17.030 (a)(10), 40.17.070; AS

- 44.37.025(b), 44.37.027(c); AS 45.29.303 (b), 45.29.525, and 45.29.619(b));
- (51) receipts described in AS 46.03.482 (b)(1) and (2) received under the commercial passenger vessel environmental compliance program;
- (52) receipts of the Department of Commerce, Community, and Economic Development for fees for business licenses and license endorsements under AS 43.70;
- (53) receipts of fees for certain inspections deposited under AS 18.60.360, 18.60.800, and AS 18.62.030 in the building safety account created under AS 44.31.025;
- (54) passenger facility charges collected at stateowned and operated airports under Federal Aviation Administration guidelines;
- (55) money received by the Department of Environmental Conservation from the inspection of food under AS 17.20;
- (56) fees received by the Department of Natural Resources under AS 41.21.026 for the use of state park system facilities;
- (57) application and renewal fees received by the Department of Public Safety under AS 18.65.400 18.65.490 for licenses for security guards and security guard agencies;
- (58) fees received by the Department of Public Safety under AS 18.65.700 18.65.790 for the issuance, renewal, and replacement of permits to carry concealed handguns;
- (59) monetary recoveries by the Department of Health and Social Services of Medicaid expenditures from recipients, third parties, and providers under AS 47;
- (60) the state's share of overpayments collected by the Department of Health and Social Services under AS 47.05.080;
- (61) income received by the Department of Health and Social Services from a state or federal agency for children in foster care under AS 47.14.100;
- (62) fees received by the Department of Health

- and Social Services under AS 44.29.022 for nursing and planning services provided at health centers;
- (63) fees received by the Department of Health and Social Services under AS 44.29.022 for genetic screening clinics and specialty clinics;
- (64) fees received by the Department of Health and Social Services under AS 18.08.080 for the certification of emergency medical technicians, emergency medical dispatchers, and emergency medical technician instructors;
- (65) fees collected by the Department of Health and Social Services under AS 44.29.022 from the certification of x-ray machines;
- (66) fees collected under AS 44.29.022 by the Department of Health and Social Services under the Alcohol Safety Action Program;
- (67) fees received by the Department of Health and Social Services under AS 47.33.910 for licensing assisted living homes;
- (68) charges, rentals, and fees for airport or air navigation facility contracts, leases, and other arrangements under AS 02.15.020 and 02.15.090;
- (69) fees for utility facility permits under AS 02.15.102, encroachment permits under AS 02.15.106, utility right-of-way permits under AS 19.25.010, and utility facility permits under AS 35.10.210;
- (70) recoveries of repair costs for damage to highway fixtures;
- (71) the state's share of child support collections for reimbursement of the cost of the Alaska temporary assistance program as provided under AS 25.27.120, 25.27.130, and AS 47.27.040;
- (72) vehicle registration fees collected under
- AS 28.10.421 and other fees and charges collected under AS 28.10.441;
- (73) fees for drivers' licenses, drivers' permits, renewals, and driver skills tests collected under AS 28.15.271;
- (74) user fees and other fees collected by the

Department of Education and Early Development under AS 14.57.010;

- (75) student tuition and other fees related to schools that are operated by the state and collected under AS 14.07.030;
- (76) receipts of fees for registration and renewal of registration for the sale of business opportunities under AS 45.66.040;
- (77) **[Effective July 1, 2005.]** emission control permit receipts account (AS 46.14.265).

#### Sec. 37.05.150. Funds and accounts.

The accounting system shall be in accordance with accepted principles of governmental (fund) accounting and shall include both budgetary and property accounts. The system must provide records showing at all times by funds, accounts, and other pertinent classifications the amounts appropriated, the estimated revenue, actual revenue or receipts, the amounts available for expenditure, the total expenditures, the unliquidated obligations, actual balances on hand, and the unencumbered balances of appropriations for each state agency.

Sec. 37.05.151. [Renumbered as AS 37.05.500].

Sec. 37.05.152. [Renumbered as AS 37.05.510].

Sec. 37.05.153. [Renumbered as AS 37.05.520].

Sec. 37.05.156. [Renumbered as AS 37.05.540].

Sec. 37.05.157., 37.05.158 Reserve for capital outlay account; reserve for energy facilities development account. [Repealed, Sec. 62 ch 14 SLA 1987].

Sec. 37.05.159. Reserve for emergency operating expenses account. [Repealed, Sec. 2 ch 58 SLA 1986].

### Sec. 37.05.160. Property records.

The Department of Administration shall direct the use of inventory records by all state agencies to show all fixed and movable property of the state. The records must be based on a physical inventory and charged with all subsequent purchases and shall be reduced by all property traded in, condemned, or disposed of. The accuracy of the property record shall be verified periodically by actual inspection of the property by the department. The state agencies may be

required to take physical inventory of properties annually and at other times as the department directs.

#### Sec. 37.05.165. Petty cash accounts.

The Department of Administration shall determine the amount of the petty cash accounts needed by each state agency and inspect the petty cash accounts at least once each year to determine that the total plus amounts of receipts for unreplenished disbursements is equal to the fixed sum of cash set aside. Shortages in petty cash accounts are a personal liability of the responsible head of the agency to whom the account is set aside. The department shall adopt necessary regulations governing use and replenishment of petty cash funds.

# Sec. 37.05.170. Restrictions on payments and obligations.

Payment may not be made and obligations may not be incurred against a fund unless the Department of Administration certifies that its records disclose that there is a sufficient unencumbered balance available in the fund and that an appropriation or expenditure authorization has been made for the purpose for which it is intended to incur the obligation.

### Sec. 37.05.180. Limitation on payment of warrants.

A warrant upon the state treasury may not be paid unless presented at the office of the commissioner of revenue within six months of the date of its issuance. A warrant not presented within that time is presumed abandoned, except where the warrant is for the payment of a permanent fund dividend or a benefit payment or refund under AS 14.25, AS 22.25, AS 26.05, AS 39.30, AS 39.35, former AS 39.37, or AS 39.45. Money held for an abandoned warrant shall be delivered to the custody of the Department of Revenue to be administered as unclaimed property under AS 34.45.

#### Sec. 37.05.190. Pre-audit of claims.

(a) The Department of Administration shall examine and audit every receipt, account, bill, claim, refund, and demand on the funds in the state treasury arising from

activities carried on by state agencies. It shall determine whether or not the obligation is incurred in accordance with laws and regulations adopted under authority of law, and that the amount is correct and is unpaid.

(b) The department may not approve for payment an account, bill, claim, refund, or demand on funds in the state treasury unless the claim is ordered by act of the legislature or is contracted against the state by an authorized officer or agent of the state.

#### Sec. 37.05.200. Pre-audit of receipts.

The Department of Revenue shall transmit to the Department of Administration copies of receipt documents showing all receipts received by the Department of Revenue. The receipt documents shall be audited, examined, and the amounts entered in the proper accounts in the records of the Department of Administration. The Department of Administration may adopt regulations to establish the system for providing current receipt documents.

### Sec. 37.05.210. Fiscal reporting and statistics.

- (a) The Department of Administration shall
  - (1) file with the governor and with the legislative auditor before December 16 a report of the financial transactions of the preceding fiscal year and of the financial condition of the state as of the end of that year, prepared in accordance with generally accepted accounting principles and audited by the legislative auditor in accordance with generally accepted audit standards, with comments and supplementary data that the Department of Administration considers necessary; this report shall be printed for the information of the legislature and the public;

- (2) compile statistics necessary for the budget and other statistics required by the governor;
- (3) file a travel and compensation report with the legislature by January 31 of each year containing detailed information for the previous calendar year of the salaries, per diem, travel expenses, relocation expenses, and any additional allowances for
  - (A) the governor, the lieutenant governor, and the chiefs of staff of the governor and lieutenant governor;
  - (B) the president and vice-president of the University of Alaska and the chancellors of the individual campuses of the university;
  - (C) the commissioners or other executive heads of the principal departments in the executive branch of state government, and the deputy commissioners and division directors in those departments; and
  - (D) the executive heads of public corporations created by law, including the Alaska Railroad Corporation.
- (b) By January 21 of each year, the University of Alaska and each public corporation shall provide the information related to salaries, per diem, travel expenses, relocation expenses, and any additional allowances to the Department of Administration in the form and manner prescribed by the department.

### Title 37. Public Finance Chapter 37.05. Fiscal Procedures Act Article 06. Special Funds

# Sec. 37.05.540. Budget reserve fund; appropriation limit.

- (a) There is established as a separate fund in the state treasury the budget reserve fund. The budget reserve fund consists of appropriations to the fund. Money received by the state that is subject to the appropriation limit under (b) of this section and that exceeds that limit, may be appropriated to the budget reserve fund.
- (b) Except for appropriations to the permanent fund or for Alaska permanent fund dividends, appropriations to the budget reserve fund, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a nonstate source in trust for a specific purpose, including revenue of a public enterprise or public corporation of the state that issues revenue bonds, appropriations from the mental health trust settlement income account (AS 37.14.036 ), and appropriations made to the mental health trust fund (AS 37.14.031), appropriations from the treasury made in a fiscal year may not exceed appropriations made in the preceding fiscal year by more than five percent plus the change in population and inflation since the beginning of the preceding fiscal year. For purposes of applying this limit an appropriation is considered to be made in the fiscal year in which it is enacted and a reappropriation remains attributed to the fiscal year in which the original appropriation is enacted. The determination of the change in population for purposes of this subsection shall be based on an annual estimate
- of population by the Department of Labor and Workforce Development. The determination of the change in inflation for purposes of this subsection shall be based on the Consumer Price Index for all urban consumers for Anchorage prepared by the United States Bureau of Labor Statistics. The amount of money received by the state that is subject to the appropriation limit includes the balance in the general fund carried forward from the preceding fiscal year.
- (c) If the legislature determines that the money subject to the appropriation limit received by the state in a fiscal year is less than the maximum permitted to be appropriated under (b) of this section, up to 25 percent of the balance of the budget reserve fund may be appropriated to the general fund.
- (d) The Department of Revenue shall manage and invest assets of the budget reserve fund in the manner set out for the management and investment of the assets of the general fund under AS 37.10.070 . Income from investment of the budget reserve fund may be appropriated to the fund each year by law.
- (e) Notwithstanding other provisions of this section, appropriations may be made from the budget reserve fund needed by the governor to meet a disaster. In this subsection, "disaster" has the meaning given in AS 26.23.900.

### Title 37. Public Finance Chapter 07. Executive Budget Act

- **Sec. 37.07.010. Statement of policy.** It is the purpose of this chapter to establish a comprehensive system for state program and financial management that furthers the capacity of the governor and legislature to plan and finance the services that they determine the state will provide for its citizens. The system must include procedures for
- (1) the orderly establishment, continuing review, and periodic revision of the program goals and policies of state agencies and financial goals and policies of the state;
- (2) the development, coordination and review of long-range program and financial plans that will implement established state goals and policies;
- (3) the preparation, coordination, analysis, and enactment of a budget that is organized to focus on the services provided by state agencies and on the cost of those services and that provides for implementation of policies and plans, in the succeeding budget period;
- (4) the evaluation of alternatives to existing policies, plans and procedures that offer potential for more efficient state services;
- (5) the regular appraisal and reporting of program performance;
- (6) public participation in the development of the annual budget, including opportunity for the public to review and comment upon the plans and programs of the Office of the Governor and all state agencies in the executive branch, the legislature, the judicial system, the University of Alaska, and the public corporations of the state.

### Sec. 37.07.014. Responsibilities of the legislature.

(a) To carry out its legislative power under art. II, sec. 1, Constitution of the State of Alaska, and to promote results-based government, the legislature shall issue a mission statement for each agency and the desired results the agency should achieve. The legislature may issue a separate mission statement for a subunit of an agency. A mission statement and desired results should promote the

efficient, measured use of the state's resources. A mission statement and desired results constitute policy under which an agency shall operate, and, where appropriate, the mission statement may be implemented by statute.

- (b) The legislature shall provide for a budget review function that promotes results-based government. The legislature shall adopt a method of measuring results for each agency, and measurements shall be reported semi-annually by each agency to the legislature. The reports shall be used by the legislature to evaluate whether the mission and desired results for that agency or subunit of the agency are being achieved.
- (c) The legislature shall analyze the comprehensive operating and capital improvements programs and financial plans recommended by the governor.
- (d) To foster results-based government, to carry out the mission statements, and to obtain desired results, the legislature shall authorize the comprehensive operating and capital improvements programs and financial plans. The legislature shall allocate the state's resources for effective and efficient delivery of public services by
  - (1) clearly identifying desired results;
  - (2) setting priorities;
  - (3) assigning accountability; and
  - (4) using methods for measuring, reporting, and evaluating results.
  - (e) The legislature shall
    - (1) provide for a post-audit function to cover financial transactions, program accomplishment, and compliance with legislative intent;
    - (2) adopt or revise the estimate of receipts required to balance the succeeding fiscal year's budget in order that proposed expenditures do not exceed estimated receipts for that fiscal year;
    - (3) adopt, revise, or initiate revenue measures in order to balance the succeeding fiscal year's budget and the capital improvements section of

the budget for the succeeding six years.

- (f) To help fulfill the legislature's responsibilities under this section and achieve results-based government, each agency shall
  - (1) allocate resources to achieve the mission and desired results established by the legislature;
  - (2) express desired results established by the legislature and other program results in measurable terms;
  - (3) measure progress towards mission statements and desired results established by the legislature and other results;
  - (4) promote activities consistent with mission statements and desired results established by the legislature that reduce or avoid future costs;
  - (5) plan for the short-term and the long-term using consistent assumptions for major demographic and other trends; and
  - (6) require accountability at all levels for meeting program mission statements and desired results established by the legislature.
- **Sec. 37.07.016. Governor's primary duty.** To carry out the executive power under art. III, sec. 1 and sec. 16, Constitution of the State of Alaska, the governor shall use the mission statements and desired results issued by the legislature as a guide to implement and execute the law. The governor shall assure that each agency complies with the mission statement and achieves the desired results identified by the legislature.

### Sec. 37.07.020. Responsibilities of the governor.

(a) The governor shall prepare a budget for the succeeding fiscal year that must cover all estimated receipts, including all grants, loans, and money received from the federal government and all proposed expenditures of the state government. The budget shall be organized so that the proposed expenditures for each agency are presented separately.

The budget must be accompanied by the information required under AS 37.07.050 and by the following separate bills:

- (1) an appropriation bill authorizing the operating and capital expenditures of the state's integrated comprehensive mental health program under AS 37.14.003(a);
- (2) an appropriation bill authorizing state operating expenditures other than those included in the state's integrated comprehensive mental health program;
- (3) an appropriation bill authorizing capital expenditures other than those included in the state's integrated comprehensive mental health program; and
- (4) a bill or bills covering recommendations, if any, in the budget for new or additional revenue. The budget for the succeeding fiscal year and each of the bills shall become public information on December 15 at which time the governor shall submit copies to the legislature and make copies available to the public. The bills, identical in content to the copies released on December 15, shall be delivered to the rules committee of each house before the fourth legislative day of the next regular session for introduction.
- (b) In addition to the budget and bills submitted under (a) of this section, the governor shall submit a capital improvements program and financial plan covering the succeeding six fiscal years.
- (c) Proposed expenditures may not exceed estimated revenue for the succeeding fiscal year. The expenditures proposed in the six-year capital improvements program and financial plan may not exceed the estimated revenue and bond authorizations passed and proposed.
  - (d) [Repealed, Sec. 35 ch 126 SLA 1994].
- (e) The budget prepared under (a) of this section must present the proposed operating expenditures for each agency for annual facility operations, annual maintenance and repair, and periodic renewal and replacement for

components of public buildings and facilities separately from the other proposed operating expenditures by the agency. Proposed annual appropriations for an agency's facility operations, maintenance and repair, and renewal and replacement for components of public buildings and facilities contained in an appropriation bill prepared under (a) of this section must be presented separately from appropriations for other proposed operating expenditures by the agency.

Sec. 37.07.030. Responsibilities of the legislature. [Repealed, Sec. 9 ch 27 SLA 1998].

# **Sec. 37.07.040. Office of management and budget.** The Alaska office of management and budget shall

- (1) assist the governor in the preparation and explanation of the proposed comprehensive program and financial plan, including the coordination and analysis of state agency goals and objectives, plans, and budget requests;
- (2) prepare for submission to the governor an annually updated six-year capital improvements program and the proposed capital improvements budget for the coming fiscal year, the latter to include individual project justification with documentation of estimated project cost;
- (3) develop procedures to produce the information needed for effective policy decision making, including procedures to provide for the dissemination of information about plans, programs, and budget requests to be included in the annual budget and opportunity for public review and comment during the period of budget preparation;
- (4) assist state agencies in their statement of goals and objectives to achieve, among other things, the legislature's mission and desired results, preparation of plans, assessments of the extent to which missions and desired results have been achieved, budget requests, and reporting of program performance; all documents forwarded by the office to a state agency containing instructions for the preparation of program plans and budget requests and the reporting of program performance are public information after the date they are forwarded;

- (5) administer its responsibilities under the program execution provisions of this chapter so that the policy decisions and budget determinations of the governor and the legislature are implemented;
- (6) provide the legislative finance division with the budget information it may request;
- (7) provide the legislative finance division with an advance copy of the governor's budget workbooks by the first Monday in January of each year, except that following a gubernatorial election year the advance copy shall be provided by the second Monday in January;
- (8) prepare the proposed capital improvements budget for the coming fiscal year evaluating both state and local requests from the standpoint of need, equity, and priorities of the jurisdiction; other factors such as project amounts, population, local financial match, federal funds being used for local match, municipality or unincorporated community acceptance of the facility, and all associated costs of the facility may be considered;
- (9) for each department in the executive branch, report to the legislature by the 45th day of each regular session the amount of money appropriated to the department that is expected to lapse into the general fund at the end of the current fiscal year;
- 10) establish and administer a state agency program performance management system involving planning, performance budgeting, performance measurement, and program evaluation; the office shall ensure that information generated under this system is useful for managing and improving the efficiency and effectiveness of agency operations.

## Sec. 37.07.050. Agency program and financial plans; mission statements.

(a) The agencies shall assure the development of a statewide system of results-based government designed to increase efficiency and effectiveness of state programs and services. Toward that end, each state agency shall, on a semi-annual basis, identify results-based measures that have been used to work toward achievement of the mission statement and desired results issued by the legislature and

of other goals of the agency, and set out the results as measured. Each state agency shall also prepare information that shall be compiled and submitted on December 15 each year to the office, the legislature, and the legislative finance division; this information must

- (1) identify the agency mission and desired results established by the legislature;
- (2) identify the goals and objectives the agency will use to achieve the legislature's mission and desired results;
- (3) set out the results of any user group surveys and, if the results do not agree with the mission and desired results, goals, and objectives, explain why;
- (4) include written, defined methods of measuring results that apply to the responsibilities, products, and services of the agency;
- (5) identify results-based measures that have been used to work toward achievement of the mission statement and desired results issued by the legislature and other goals of the agency and set out the results as measured;
- (6) identify surveys or other methods of gathering user group opinions that have been used by the agency to identify ways to improve its programs;
- (7) identify methods of measuring performance when the mission statement and desired results issued by the legislature involve more than one agency and make recommendations to eliminate duplication of government functions and waste;
- (8) identify ways in which the agency has involved its employees in the development of methods of measuring results, including opportunities for employee representatives to participate in committees established to develop methods of measuring results;
- (9) include the budget requested to carry out the agency's proposed plans in the succeeding fiscal year, including information reflecting the expenditures during the last fiscal year, the expenditures authorized for the current fiscal year,

the expenditures proposed for the succeeding fiscal year, an explanation of the services to be provided, the number of total positions for all persons employed or under contract by the agency for personal services including those rendered for capital improvement projects, the need for the services, the cost of the services, and other information requested by the office;

- (10) include a report of agency receipts during the last fiscal year, an estimate of receipts during the current fiscal year, and an estimate of receipts for the succeeding fiscal year;
- (11) identify legislation required to implement the proposed programs and financial plans;
- (12) include an evaluation of the advantages and disadvantages of specific alternatives to existing or proposed agency activities or administrative methods;
- (13) prioritize the activities of the agency from the most important to the least important.
- (b) The state agency proposals prepared under (a) of this section must describe the relationships of their program services to those of other agencies, of other governments, and of nongovernmental bodies.
- (c) The office shall assist agencies in the preparation of their proposals under (a) of this section. This assistance may include technical assistance, organization of materials, centrally collected accounting, budgeting and personnel information, standards and guidelines formulation, population and other required data, and any other assistance that will help the state agencies produce the information necessary for efficient agency management and effective decision-making by the governor and the legislature.
- (d) If any state agency fails to transmit the program and financial information provided under (a) of this section on the specified date, the office may prepare the information.
- (e) The office shall compile and submit to the governorelect in any year when a new governor has been elected, not later than November 20, a summary of the program and financial information prepared by state agencies.
  - (f) Budget requests for boards and commissions and

for those agency programs for the fiscal year following termination under AS 44.66 shall be prepared and submitted. The recommended appropriation request must include

- (1) an identification of the objectives intended for the program and the problem or need that the activities and operations of the board, commission, or program is intended to address;
- (2) an assessment of the degree to which the original objectives of the program have been achieved expressed in terms of performance, effects, or accomplishments of the program and of the program or need that it was intended to address;
- (3) a statement of the performance and accomplishments of the program in each of the last four completed fiscal years and of the costs incurred in the operation of the program;
- (4) a statement of the number and types of persons affected by operation of the program;
- (5) a summary statement, for each of the last three completed fiscal years, of the number of personnel employed in carrying out the program and a summary of the cost of personnel employed under contract in carrying out the program;
- (6) an assessment of the effect of the program on the economy of the state;
- (7) an assessment of the degree to which the overall policies of the program, as expressed in regulations adopted by the agency, board, or commission and its decisions, meet the objectives of the legislature in establishing the program;
- (8) an analysis of the services and performance estimated to be achieved if the life of the agency, board, or commission were to be continued;
- (9) a prioritized list of the activities the agency, board, or commission would be expected to perform if the life of the agency, board, or commission were to be continued, from the most important to the least important.

- (g) All goals and objectives, plans, programs, estimates, budgets, and other documents forwarded to the office of management and budget by a state agency under this section are public information after the date they are forwarded.
- (h) Each agency shall, with participation of its employees, develop methods for measuring agency results. A group or committee established by an agency to develop methods of measuring results shall include a representative of each of the bargaining units that represents employees of the agency.

#### Sec. 37.07.060. Governor's recommendation.

- (a) The governor shall formulate the operating and capital improvements programs and financial plans required to be recommended to the legislature by AS 37.07.020 after considering the state agency proposed program and financial plans, and other programs and alternatives that the governor considers appropriate. The plans must include the governor's recommended missions and results, recommended strategies to implement the missions and results, recommended measures for determining whether the missions and desired results are achieved, including an assessment of whether prior year missions and desired results have been achieved, recommended operating program for the succeeding fiscal year, recommended capital improvements program for the succeeding six fiscal years, recommended programs for the upgrading of public buildings and facilities prepared in accordance with AS 35.10.015, and recommended revenue measures to support the programs.
- (b) The governor shall present the proposed comprehensive operating and capital improvements programs and financial plans in a message to a joint session of the legislature before the fourth legislative day following the convening of the legislature in regular session. The message must be accompanied by an explanatory report that summarizes recommended goals, plans, and appropriations. The report must contain
  - (1) the coordinated program goals and objectives which the governor recommends to guide the

- decisions on the proposed program plans and budget appropriations;
- (2) the governor's operating program and budget recommendations for the succeeding fiscal year organized by agency as required by AS 37.07.020(a);
- (3) the governor's capital improvements program and budget recommendations for the succeeding fiscal year and capital improvements program for the succeeding six fiscal years which must include
  - (A) a description of each project, its estimated cost for the year construction is to start and the estimated cost of the project adjusted for inflation over the estimated period of construction, and the source of financing for the project; the project description for a new building or a new facility or for a major addition to a building or facility should include a site plan, preliminary drawings, and architect's or engineer's total cost estimate for the project;
  - (B) a summary of projects previously authorized and not yet completed;
  - (C) a summary, listed by agency, of all previously proposed projects that have been deferred beyond the six years covered by the plan and the year in which construction has been rescheduled to begin;
  - (D) a forecast of the debt structure of the state and the various debt ratios over the life of the state's bonds outstanding, bonds authorized and to be issued, and bond authorizations recommended in the plan;
  - (E) a description of additional revenue measures needed to finance the plan in lieu of debt;
  - (F) bond election bills to authorize the bonds required to fund the projects scheduled for the first three years of the plan;
  - (G) projections of population of the state and its regions and communities;
  - (H) economic data and projections necessary

for the evaluation of the plan;

- (4) a summary of state receipts in the last fiscal year, a revised estimate for the current fiscal year, and an estimate for the succeeding fiscal year;
- (5) a summary of expenditures during the last fiscal year, those authorized for the current fiscal year, and an estimate for the succeeding fiscal year;
- (6) any additional information that will facilitate understanding of the governor's proposed programs and financial plans by the legislature and the public.

#### Sec. 37.07.062. Capital budget.

- (a) Each appropriation bill authorizing capital expenditures required to be submitted to the legislature in AS 37.07.020 (a) must be accompanied by documents supporting the expenditures for each of the capital projects funds (AS 44.42.080). The documents must list, for each project, the (1) project identification number; (2) project title; (3) source of funding; (4) amount expended on the project during the preceding fiscal year, the amount authorized for the current fiscal year, and the amount proposed to be expended during the succeeding fiscal year; (5) estimated start for construction; (6) schedule of bond elections pertaining to the appropriation, including elections previously held. The total appropriation to each capital projects fund must be reflected in the balance sheet of each fund as of June 30 of each fiscal year.
- (b) Upon the effective date of each appropriation bill authorizing capital expenditures, the amounts appropriated by the bill for capital outlay shall be paid into the appropriate capital project funds established under AS 44.42.080 .
- (c) The balance sheet of each capital projects fund (AS 44.42.080) shall, at the end of each fiscal year, contain the following items so as to reflect the status of each fund and that the appropriations to each fund are not based upon a fiscal year:
  - (1) cash with treasury shows a normal debit balance;
  - (2) bonds authorized and unissued shows a normal debit balance; these are assets of each fund and

- shall be sold in accordance with the election date of each authorization; the proceeds are expended on a first-in, first-out basis;
- (3) bonds to be authorized shows a normal debit balance; these shall be reflected in general obligation bond or revenue bond act proposals accompanying each year's capital improvements program revision; the general obligation bond act proposals are to provide funding for the three fiscal years following the general election date;
- (4) [Repealed, Sec. 62 ch 14 SLA 1987].
- (5) general fund; other shows a normal debit balance; additional appropriations from the general fund above those required by law for capital outlay;
- (6) other funds shows a normal debit balance; appropriations from other state funds for capital outlay;
- (7) federal aid shows a normal debit balance; includes funds expected to be received from federal sources for capital projects;
- (8) expenditures, prior fiscal year shows a normal credit balance;
- (9) encumbrances shows a normal debit balance;
- (10) reserve for encumbrances shows a normal credit balance;
- (11) fund balance shows a normal zero balance.
- (d) The annual financial report of the state must contain the following statements for each capital projects fund:
  - (1) balance sheet;
  - (2) analysis of changes in bonds authorized and unissued;
  - (3) analysis of changes in bonds to be authorized;
  - (4) analysis of changes in funds to be provided by others;

(5) statement of expenditures and encumbrances compared to appropriations.

#### Sec. 37.07.070. Legislative review.

The legislature shall consider the governor's proposed comprehensive operating and capital improvements programs and financial plans, evaluate alternatives to the plans, make program selections among the various alternatives and determine, subject to available revenues, the level of funding required to support authorized state services. The operating and capital budgets of each agency shall be separately reviewed. During each regular session of the legislature, legislative review of the governor's supplemental appropriation bills and the governor's budget amendments shall be governed by the following time limits:

- (1) requests by the governor for supplemental appropriations for state agency operating and capital budgets for the current fiscal year may be introduced by the rules committee only through the 30th legislative day;
- (2) requests by the governor for budget amendments to state agency budgets for the budget fiscal year may be received and reviewed by the finance committees only through the 45th legislative day.

### Sec. 37.07.080. Program execution.

- (a) Except as limited by executive decisions of the governor, the mission statements and desired results issued by the legislature, appropriations by the legislature, and other provisions of law, the several state agencies have full authority for administering their program service assignments and are responsible for their proper management.
- (b) Each state agency shall prepare an annual plan for the operation of each of its assigned programs except for programs that are exempted from this requirement by the office. The operations plan shall be prepared in the form and content and be transmitted on the date prescribed by the office.

- (c) The office shall
  - (1) review each operations plan to determine that it is consistent with the executive decisions of the governor, the mission statement and desired results issued by the legislature, appropriations by the legislature, and other provisions of law, that it reflects proper planning and efficient management methods, and that appropriations have been made for the legislatively established purpose and will not be exhausted before the end of the fiscal year;
  - (2) approve the operations plan if satisfied that it meets the requirements under (1) of this subsection; otherwise, the office shall require revision of the operations plan in whole or in part.
- (d) A state agency may not increase the salaries of its employees, employ additional employees, or expend money or incur obligations except in accordance with law and properly approved operations plan.
- (e) Transfers or changes between objects of expenditures or between allocations may be made by the head of an agency upon approval of the office. Transfers may not be made between appropriations, including transfers made through the use of a reimbursable service agreement or other agreement, except as provided in an act making the transfers between appropriations. However, a reimbursable service agreement or other agreement may be used to finance the provision of a service if
  - (1) the agency that requires the service has, by law, the authority to obtain or provide the service and has an appropriation that may be used for that purpose; and
  - (2) the agency that provides the service bills the agency administering the available funds based on
    - (A) the actual cost to provide the service; or
    - (B) a cost allocation method approved by the office.
- (f) The office shall report quarterly to the governor and the legislature on the operations of each state agency, relating actual accomplishments to those planned and

modifying, if necessary, the operations plan of any agency for the balance of the fiscal year.

- (g) The governor may direct the withholding or reduction of appropriations to a state agency at any time during the fiscal year only if the governor determines that the planned expenditures can no longer be made due to factors outside the control of the state which make the expenditure factually impossible.
- (h) The increase of an appropriation item based on additional federal or other program receipts not specifically appropriated by the full legislature may be expended in accordance with the following procedures:
  - (1) the governor shall submit a revised program to the Legislative Budget and Audit Committee for review;
  - (2) 45 days shall elapse before commencement of expenditures under the revised program unless the Legislative Budget and Audit Committee earlier recommends that the state take part in the federally or otherwise funded activity;
  - (3) should the Legislative Budget and Audit Committee recommend within the 45-day period that the state not initiate the additional activity, the governor shall again review the revised program and if the governor determines to authorize the expenditure, the governor shall provide the Legislative Budget and Audit Committee with a statement of the governor's reasons before commencement of expenditures under the revised program.

Sec. 37.07.090. Performance reporting. [Repealed, Sec. 9 ch 27 SLA 1998].

# Sec. 37.07.100. Proposed supplemental or special appropriations.

The governor from time to time may transmit to the legislature proposed supplemental or special appropriations in accordance with AS 37.07.070 which in the governor's judgment are necessary. However, if the governor finds

that an emergency situation necessitates the proposal of supplemental or special appropriations, the governor may transmit them to the legislature at any time. The governor shall accompany each proposal with a statement of the reasons for it, including the reasons for its omission from the budget.

#### Sec. 37.07.110. Interpretation of chapter.

This chapter shall be construed as supplemental to all other state laws not in conflict with it. If a section or part of a section of this chapter is in conflict with federal requirements for a program for which federal grant-in-aid funds are available, the section or part, to the extent of the conflict, is inoperative.

#### Sec. 37.07.120. Definitions.

In this chapter,

- (1) "agency" means a department, officer, institution, board, commission, bureau, division, or other administrative unit forming the state government and includes the Alaska Pioneers' Home, the Alaska Veterans' Home, and the University of Alaska, but does not include the legislature or the judiciary;
- (2) "allocation" means an amount set out as a legislative guideline for expenditure by a state agency for a stated purpose within the total amount of an appropriation;
- (3) "appropriation" means a maximum amount available for expenditure by a state agency for a stated purpose set out in an appropriation act;
  - (4) "capital projects" and "capital improvements"

mean an allocation or appropriation item for an asset with an anticipated life exceeding one year and a cost exceeding \$25,000 and include land acquisition, construction, structural improvement, engineering and design for the project, and equipment and repair costs;

- (5) "facility operations" means activities and expenses relating to the day-to-day operations of a building or facility, including utilities, janitorial service, security service, snow removal, and direct supervision of related maintenance activities;
- (6) "fiscal year" means a year beginning on July 1 of one calendar year and ending on June 30 of the following calendar year;
- (7) "maintenance and repair" means the day-to-day scheduled and preventive maintenance effort, including minor repair work, required to keep a building or facility operational and in a continuous state of readiness;
- (8) "object of expenditure" means a line item of expenditure within an allocation or an appropriation;
- (9) "office" means the Alaska office of management and budget established in the Office of the Governor by AS 44.19.141;
- (10) "renewal and replacement" means the scheduled replacement of worn-out major building components and the replacement or retrofitting of obsolete or inefficient building systems in order to maintain or extend the life of a building or facility.

### **Uniform Rules**

# **RULE 42. Conference and Free Conference Committees.**

- (a) If one house refuses to concur in the amendments of the other it so notifies the amending house and requests that it recede from its amendments. The vote on receding from amendments is taken by the calling of the roll and the recording of the yeas and nays in the journal. A house recedes from its amendments only by a majority vote of the full membership of the house. If the house refuses to recede, the presiding officer of each house appoints three members to sit as a Conference Committee. The committee meets when mutually agreeable to its members. If the committee reaches agreement on previously adopted amendments to a bill adopted by either house, the committee then submits an identical report to each house. The report is not subject to amendment in either house. If the report is adopted by each house the bill is enrolled, signed, and transmitted to the governor. If the members of the Conference Committee cannot agree on amendments, or if one or both houses refuses to adopt the committee report, the Conference Committee submits an identical written report to each house listing the specific points of disagreement for which the committee requests powers of free conference. The presiding officer of each house may then give limited powers of free conference only on the specific points listed. If the members of a Conference Committee with limited powers of free conference cannot agree on amendments, or one or both houses refuses to adopt the committee report, it is then in order to appoint a Free Conference Committee. A member who served on a Conference Committee or a Conference Committee with limited powers of free conference may not be appointed to a subsequent Conference Committee or Free Conference Committee concerning the same measure. The vote on adoption of a conference committee report is taken by the calling of the roll and the recording of the yeas and nays in the journal. Adoption requires a majority vote of the full membership of each house.
  - (b) A Free Conference Committee is appointed in

the same manner as a Conference Committee and may suggest in its report any new amendments clearly germane to the question. When a majority of the membership of the committee from each house agrees on amendments, the amendments are attached to the bill and reported back to each house in an identical report. The report is not subject to amendment in either house. If the report is adopted in each house, the bill is then ordered enrolled by its house of origin. If the members of a Free Conference Committee fail to agree on amendments or one or both houses refuses to adopt the free conference report, a second Free Conference Committee may be appointed, but no member of the first committee may be reappointed. A free conference report on a measure other than an appropriation bill may not be voted on by the house until at least 24 hours after the report is duplicated and delivered to the chief clerk or secretary of the house for distribution to each member. The chief clerk or secretary shall certify the time of delivery of the report for recording in the journal. The vote on adoption of a free conference committee report is taken by the calling of the roll and the recording of the yeas and nays in the journal. Adoption requires a majority vote of the full membership of each house.

(c) A Conference Committee with limited powers of free conference or a Free Conference Committee may not include in its report on an appropriation bill an item which was not included in a version of that appropriation bill adopted in third reading by a house and the amount appropriated by an item may not exceed the higher amount appropriated by that item in a version of the bill adopted in third reading by a house. An item in an appropriation bill includes a line item, an allocation, and an appropriation. The report on an appropriation bill of a Conference Committee, a Conference Committee with limited powers of free conference, or a Free Conference Committee may not be voted on by the house until at least 24 hours after the report is duplicated and

delivered to the chief clerk or secretary of the house for distribution to each member. The chief clerk or secretary shall certify the time of delivery of the report for recording in the journal.

- (d) Notwithstanding the provisions of (c) of this rule, a Free Conference Committee may consider and include in its report on an appropriation bill appropriations as requested by attached fiscal notes on new legislation and resolutions that have been passed by both houses.
- (e) A Conference Committee, a Conference Committee with limited

powers of free conference, or a Free Conference Committee may not adopt a report that requires a change in the title of a bill other than a clerical or technical change.



## glossary

**ABS -** The Automated Budget System used by the Governor's Office of Management and Budget.

Accomplishment Measure - The indicator used to determine the extent to which the services, projects, or activities provided by a budget request unit achieve an objective.

Actuals - See Prior Year Actual.

**Adjournment** - The termination of legislative activities at the conclusion of each legislative day, or the ending of the first regular session of a legislature.

**Adjournment Sine Die** - The termination of a second regular session without setting a date for reconvening that has the effect of closing the session and terminating all unfinished business.

**Agency** – Generally a state department, but for budgeting purposes the Legislature, Court System and University are also considered Agencies.

Agency Budgeting - Structuring budget information by organizations established to administer the programs funded through the budget. The principal alternative to agency budgeting is program budgeting which structures budget information by

grouping all programs addressing a similar problem or need regardless of which agency administers the programs.

**AKSAS** – Alaska Statewide Accounting System.

**Allocation** - Allocations are expenditure guidelines for programs within an appropriation. An agency can move funding freely between allocations within an appropriation. (Also referred to as a component).

**Allocation Summary** - A report that summarizes funding by budget allocation for an agency.

**Appropriation** - Authorization to spend funds for a stated purpose. Appropriations are often subdivided into allocations in the appropriations bill. The Alaska Constitution prohibits payment of money out of the treasury unless authorized by an appropriation.

**Authority** – The constitutional, statutory, regulatory, or executive requirement that a service be provided by the state. i.e., AS 16.05.100 (b). In budgetary terms authority also means permission to spend money.

**Authorized** - See Current Year Authorized.

**Authorized Position** - A position for which funding has been approved in the authorized budget.

Bargaining Unit - A classification which determines which (if any) organized representation a position is associated with. The current bargaining units are: General Government (G); Confidential (K); Labor, Trades, and Crafts (L); Public Safety (A); and Supervisory (S). Two position groups without collective bargaining representation are: Exempt/Partially Exempt (X) and Excluded (E).

**Base (Operating)** - The prior year's budget plus "unavoidable" statewide increases (such as salary adjustments and rent increases) needed to maintain a status quo budget.

- Benchmark A standard by which something can be measured or judged. For example, regional or fiftystate averages, "top ten" ratings or nationally recommended performance levels. In the absence of appropriate comparables, the result in a prior "starting point" year or recent multiyear average could be used.
- Bills Column included in the Conference Committee books identifying appropriations for new legislation and special legislation (excluding supplementals) approved by the legislature and enacted into law. It does not include appropriations for bills vetoed by the Governor.
- **Budget** the plan or authorization for revenues and expenditures in a fixed period of time. The governor must submit a budget on December 15<sup>th</sup>; the budget includes an operating, a mental health and a capital budget.
- Budget Amendment A revision to an agency's budget involving a formal request to change the dollar amount or scope of a project after the operating or capital budgets have been submitted to the legislature. Governor's budget amendments are due to the legislature by the 45th day of the legislative session. Legislative amendments occur throughout the budget process.
- **Budget Request Unit (BRU)** A group of allocations or program activities, combined to achieve a specific goal. BRUs were replaced with Results Delivery Units (RDUs) in FY05.

- **Budget Structure** The organization of the budget and the relationship of different levels of budget detail to each other.
- **Budget Year** The fiscal year for which the budget is being prepared.
- **Capital Budget** A plan for the distribution of state financial resources for items which have an anticipated life that exceeds one year and which usually cost in excess of \$25,000. Capital budget appropriations lapse only if funds remain after the project is completed.
- **Capital Improvement Project (CIP)** A project listed in the capital budget. A project may include major expenditures for land acquisition, construction and structural improvements, one-time studies, and equipment purchases where the total project budget generally equals or exceeds \$10,000. Please refer to AS 37.07.120(4).
- **Carryforward** The amount of unspent money an agency is allowed to carry forward from one fiscal year to the next.
- Capital Outlay (previously called Equipment) Proposed expenditures for the purchase of durable items with a unit value between \$500 and \$25,000. Line 500 on the allocation detail pages, Governor's Budget Request Books, and Conference Committee Books.
- **Certificates of Participation (COPs)** Certificates of participation in rent are similar to lease revenue bonds. The certificates represent fractional interests or share in lease payments from lessees and are sold to finance construction or purchase of leased facilities. The issuer can be a private developer, public agency, or other party acting as lessor.
- Commodities (previously called Supplies)- Proposed expenditures for the purchase of items normally consumed or expended within one year of being acquired or equipment purchases valued under \$500. Line 400 on the allocation detail pages, Governor's Budget Request Books, and Conference Committee Books.

Component - (see Allocation)

Component Summary - (See Allocation Summary)

- **Concurrent Resolution** A formalized motion reflecting the will, wish, view, or decision of both houses speaking concurrently.
- **Conditional Language** This language has the force of law and is placed in an appropriation allocation in the numbers section of an appropriation bill.
- **Conference Committee** Column identifying the operating budget (including front sections) as approved by the Conference Committee on the general appropriations bill. The column does not include new legislation, special legislation, or reappropriations contained in other appropriations bills.
- **Conference Committee Books** Publications produced by Legislative Finance Division providing a detailed summary of each state agency's operating budget at the individual allocation level.
- Contractual Services ("Services") Proposed expenditures for services provided externally to an allocation including: communications, printing and advertising, utilities, repairs and maintenance, equipment rentals and lease/purchases, judicial expense, professional services, and data processing chargeback costs. Line 300 on the allocation detail pages, Governor's Budget Request Books and Conference Committee Books.
- Constitutional Budget Reserve Fund (CBRF) Article IX, Section 17 of the Alaska Constitution, which became effective on January 2, 1991, established the CBRF as a separate fund in the state treasury, provided for deposit of proceeds of certain tax and mineral revenue disputes into the CBRF, established limitations on the legislature's ability to appropriate money from the fund, and required that sums withdrawn from the fund be repaid.
- **CP3 Report** A report prepared annually by OMB that contains the status of currently authorized capital projects.
- **Current Year Authorized ("Authorized")** Funding appropriated by the legislature and adjusted by the Governor through vetoes and funding reductions for the fiscal year preceding the budget year. It includes the operating budget, fiscal notes, front section items and special appropriations.

- **Dedicated Funds** Funds limited to a specific purpose by the Constitution. These funds include the School Fund (cigarette tax), Public School Fund, Second Injury Fund, Fisherman's Fund and the Fish and Game Fund.
- **Designated Funds** Includes all nonfederal, non-general fund codes that are designated for a specific purpose by statute. The legislature traditionally complies with designations, but may use these funds for any purpose at any time. This is the largest group of codes.

## Detail Budget Books (also called Governor's Budget Summary) -

Contains detailed information for each agency's budget request. Includes agency overview, RDU overviews, allocation goals and objectives, formula funded program calculations, project detail, line item detail and revenue information.

### **Discretionary Capital Projects -**

Projects included in the capital budget by the legislature to address district priorities.

- **Duplicated Funds** Duplication occurs when money is appropriated more than once. For example, an appropriation of general funds may be used to capitalize the Alaska Marine Highway System (AMHS) fund, while the AMHS funding is then appropriated in the operating budget.
- **Effective Date** The date on which an act takes effect. Unless otherwise specified in the law itself, the effective date is 90 days after enactment.

- **Emergency Employee** A person appointed for a maximum of thirty calendar days, whose appointment was made under conditions requiring immediate action to carry on work that is required in the public interest.
- Enacted Column on the allocation detail pages, Governor's Budget Request Books and Conference Committee Books, identifying operating funds approved by the conference committee, adjusted to reflect Governor's vetoes. It does not include supplementals, new legislation, and special legislation.
- **Engrossment** The preparation of an exact and official copy of a measure in the house of origin, along with amendments and proper signatures, before transmitting the measure to the other house.
- **Enrolled Bill** The final copy of a bill as approved by the legislature before transmittal to the Governor.
- **Equipment** See Capital Outlay.
- Executive Budget Act The statute (AS 37.07) that provides guidelines for the executive budget process by stipulating "the preparation, coordination, analysis, and enactment of a budget which is organized to focus on the services provided by state agencies..." in order to further "the capacity of the Governor and Legislature to plan and finance the services which they determine the state will provide for its citizens."
- **Executive Order** An order by the Governor that has the force of law and

- makes changes in the organization of the executive branch or the assignment of agency functions. Executive Orders may be disapproved by the Legislature meeting in joint session.
- **Federal Medical Assistance Participation (FMAP) -** The federal share of payments for eligible Medical Assistance services. The share is also applied to Alaska Temporary Assistance Program and foster care maintenance reimbursement. The FMAP rate is based on a formula driven by each state's per capita income and ranges from 50-83 percent.
- **Federal Receipts** Funds received by the state from the federal government to support expenditures made by state programs. The legislature appropriates federal funds along with other state funds. Some federal programs require that the state appropriate a specific percent of federal funding before the federal funds can be released to the state.
- **Fiscal Note** An itemization of the estimated costs of proposed legislation, beyond those included in an agency's regular budget submission. Fiscal notes are usually prepared in conjunction with new bills and must be appropriated (usually in the operating budget) before funds may be spent.
- **Fiscal Year** The period of time over which the state budgets and accounts for funds. The state fiscal year begins on July 1 each year and ends on June 30 of the following year.
- **Final Authorized** See Prior Year Final Authorized.
- **Formula Funded Program** A program with certain eligibility standards which provides that any person, group or place meeting those standards may receive a given level of benefits. The standards and benefits must be based in statute.
- **Fund** A sum of resources constituting a separate accounting entity created and maintained for a particular purpose and having transactions subject to legal or administration restrictions. All funds are managed by the Division of Finance in the Department of Administration. This term is distinguished from the term "funding" or "funds" which usually refers to the amount of dollars contained in a fund.
- **Funding Sources** Numeric codes used in the budget process to indicate the source of revenue from which expenditure will

be supported. The most common funding sources are federal receipts, general fund match, general fund, interagency receipts, and program receipts.

**Funds** - Generic term describing all funding sources which support state government and its activities.

**General Funds** - The largest fund in the state treasury, into which receipts from the major taxes are deposited. Most of the money in the General Fund is not earmarked for specific purposes. The General Fund is the major source of funding for education, health care and human services and other major functions of state government.

**General Obligation Bonds** - Bonds backed by the full faith and credit of the issuing government.

**Goal** - The condition (external to the program) which a budget request unit or agency intends to achieve through its activities. A goal statement will tell the reader why you are in business.

**Governor's Budget Request Books** - Publications produced by Legislative Finance Division providing a detailed summary of the Governor's operating budget request for each state agency at the individual allocation level. These publications are sometimes used as working documents by house and senate finance subcommittees.

Grants/Benefits - Funds disbursed by the state to units of local government and to individuals in payment of various benefits and claims. Types of grants include: Designated, Municipal, Named Recipient, Unincorporated, Competitive, Grants to individuals, etc. Line 700 on the allocation detail pages, Governor's Budget Request Books and Conference Committee Books.

**House District (formerly called Election District Report) Report** - A report prepared annually by Legislative Finance Division that sorts capital projects and reappropriations by election district and contains historical information on capital funding.

Indirect Costs - Expenditures which cannot be directly charged to the program providing services. Indirect costs can be thought of as an overhead expense.

**Intent** - See Legislative Intent

Interagency Receipts - Funds received from another state agency or from a separate appropriation within a state agency as a result of a contract for services. The contracted services must be beyond the expertise, capacity, or function of the contracting agency. Most interagency receipts stem from Reimbursable Services Agreements. Interagency receipts are funding sources for expenditures and may be budgeted or unbudgeted.

**Interagency Transfers** - Funds transferred to another state agency or between appropriations as payment for a service. For every dollar budgeted for interagency transfers, a corresponding dollar should be budgeted as interagency receipts in the receiving agency/allocation. Interagency transfers are a type of expenditure which is made to another state agency as opposed to the private sector. Interagency transfers are not a funding source in a budget but simply indicate that budgeted funds will be spent on another state agency. Therefore, interagency transfers are a "non-add" item on the budget forms, or do not affect total expenditures or funding sources.

**Land/Buildings** - Proposed expenditures for all acquisitions of or additions to land and buildings which will not exceed \$25,000 per project. Line

- 600 on the allocation detail pages, Governor's Budget Request Books and Conference Committee Books.
- Language Section Appropriation items contained in the narrative section of the budget bill. These items generally include program and federal receipt language, debt service, fund transfers, loan balances returned to the GF, loan fund appropriations, and other special items.
- **Lapse** The expiration of the authorization to spend funds. Unexpended or unobligated funds lapse.
- Legislative Audit Division An office that serves the Legislative Budget and Audit Committee with nonpartisan staff. The staff conducts performance post-audits and completes audits, reports and studies as requested by the Legislative Budget and Audit Committee.
- Legislative Finance Division An office that serves the Legislative Budget and Audit Committee and two standing finance committees with a nonpartisan staff. The staff's responsibilities include analysis of budget submissions, revenue requirements, comprehensive budget review, fiscal analysis, and review of revised programs.
- **Legislative Intent ("Intent")** A stated goal of the legislature in enacting legislation. Intent does not have the force of law, but it may be used to interpret statutory language.
- **Line Item** Expenditure object codes identified on the allocation detail pages, Governor's Budget Request

- Books and Conference Committee Books. Maintains consistency with accounting system.
- **Maintenance of Effort (MOE) Requirements** A requirement by the federal government that the state continue funding the program at a certain level (usually the same funding level as in the current or prior year) in order to receive federal funds.
- **Management Plan** Authorized level of expenditures at the beginning of the fiscal year plus adjustments to allocations within appropriations made at an agency's discretion.
- Miscellaneous (and Debt Service) Expenditure line item used for contingency items, principal, interest, and state charges for debt of the state. Also used to reflect unallocated reductions or additions. Line 800 on the allocation detail pages, Governor's Budget Request Books and Conference Committee Books.
- **New Position** A new position is one not previously authorized by the legislature.
- Nonpermanent Position There are four types of statutory nonpermanent positions: (1) Substitute: A nonpermanent appointment to a position which is temporarily vacated by a permanent employee on leave. Appointments are limited to the duration of the incumbent's leave or an earlier specified date. (2) Normal: An appointment to complete a given work assignment which does not exceed 120 calendar days in a twelve-month period in one department. (3) Project: Appointments made for the duration of a specified project that is not a regular and continuing function of a department and that has an established probable date of termination. (4) Program: Appointments to nonpermanent positions of a limited duration created primarily to help the employee. Interns are in this category.
- **Nonpermanent Position, Normal** A position occupied for a maximum of 120 calendar days in a twelve-month period.
- Nonpermanent Position, Program or Project A position with prior written understanding that employment in that position will continue for the duration of a specified program or project which is not a regular or continuing function of an agency and which has an identified probable date of termination.

**OMB** - See Office of Management and Budget.

**Objective** - An intermediate step toward achieving a goal. It must specify a measurable change in the current status of a condition affecting people or places in Alaska (external to the program providing services) within a specific time period. An objective tells the reader what is going to be accomplished.

**Office of Management and Budget (OMB)** - An office within the Office of the Governor which assists the Governor in determining the allocation of state resources and management of state programs.

**Open Appropriation** - An appropriation in which the level of funding necessary (but not specified) to fulfill an obligation is made available in the fiscal year. The state fund balance shows an estimate of the amount expected to be spent. An example of this is standard language appropriating federal funds for fire suppression.

Operating Budget - A plan for the yearly distribution of state resources to cover the ongoing operations of state programs. The expenditure of funds will include assets with an anticipated life of less than one year and with a unit cost under \$25,000. Operating budget appropriations are made for a fiscal year and any unexpended or unobligated funds revert to the General Fund, or lapse, at the end of the fiscal year.

**PCN** - See Position Control Number.

Performance Planning and Evaluation Process - A planning, budgeting and evaluation process which begins with the development of goals and operating policies by the Governor and his cabinet. The agencies develop goals and objectives congruent with the Governor's goals, and the budget request units develop more specific goals, objectives, and performance measures (the operational plan) to carry out the agency goals. Following legislative and gubernatorial approval, performance measures are adjusted as needed and the budget is implemented. Finally, performance reports provide feedback in developing the next fiscal year's performance plan.

**Permanent Full-Time (PFT) Position** - A continuing position to be filled twelve months a year with a normal work schedule

of 30 or more hours per week. The only exception is for educational institutions which operate only nine months per year.

#### Permanent Part-Time (PPT) Position

 A continuing position to be filled twelve months a year with a normal work schedule of 30 hours or less per week.

Permanent Seasonal Position - A
position required each year that is
to be filled less than twelve months
per year. Seasonal positions are
also designated as full-time or parttime, depending upon the number of
hours worked within a work week.
On budget forms that show only
permanent full-time and permanent
part-time positions, seasonal positions
should be included in the total for
permanent part-time positions.

Personal Services - Proposed
expenditures for the staffing costs of
the budget request unit or allocation.
The costs include salaries, premium
pay and benefits for all permanent and
non-permanent positions. Line 100 on
the allocation detail pages, Governor's
Budget Request Books and Conference
Committee Books

**Personal Services Module** - An ABS computerized calculation and report system for all positions and personal services costs.

**Position** - An authorized Position Control Number (PCN) for which there are specific duties that require the fulltime or part-time services of one person (except where job sharing is approved). A position may or may not be filled. Therefore, a position is not equivalent to an employee.

Position Control Number (PCN) - A four to six-character code identifying a position. PCNs for authorized positions are assigned by the Division of Personnel. Exempt positions usually contain "X" or "T" in the first character of the PCN. The Personal Services Module identifies new position requests and positions which are not authorized, by using a non-numeric character such as "N" or "#" as the first character. and assigns a sequential number, e.g. N123 or #123. If the new position is authorized by the Legislature, the Division of Personnel will assign an authorized number before the next budget cycle.

**Position Count** - A tally of the number of positions or PCNs in an allocation or RDU by time status (such as full-time or part-time/seasonal).

Prefiling - A procedure allowing a legislator to offer a bill or joint resolution for introduction before a legislative session begins. Each member may prefile a maximum of ten measures at any time before January 1.

Prior Year Actual - The actual, unaudited operating budget expenditures of the prior fiscal year, including supplementals, RPLs, encumbrances, and unbudgeted RSAs. Each department includes actual expenditures as part of its budget submittal.

**Prior Year Authorized** - The funds appropriated by the Legislature and adjusted by the Governor's veto or funding reduction decisions for the year preceding the current year.

#### Prior Year Final Authorization ("Final Authorization")

- The prior year authorized funding amount adjusted for supplementals.

**Program Budgeting** - The allocation of resources to groups of activities designed to accomplish similar goals regardless of which agency or division administers the programs or activities.

**Project** - An activity with a specific purpose designed to be accomplished within a specific time period. Projects may refer to a budgeting item in either the operating or capital budget.

**Project Budgeting** - The allocation of resources by project within an allocation or an appropriation. A project is a distinct and separate service or function within an allocation. This form of budgeting is used by the Departments of Natural Resources, Fish and Game, and Environmental Conservation. Projects are determined by agencies and appear on forms P1 and P2 in detail budget books.

**RSA** - See Reimbursable Services Agreement.

**Range** - A part of the salary schedule which indicates the amount of money paid per month to specific job classes. Changes in range are vertical movements up or down on the salary schedule, as opposed to step changes, which are horizontal movements within the same range.

**Rate** - The level of benefits that will be distributed to qualified recipients of a formula funded program for a specific time period.

**Ratification** - Appropriations for unauthorized expenditures made in a closed fiscal year.

**Reading** - Refers to the three stages of the legislative process:

First Reading - Formal introduction by the clerk or secretary reading aloud the measure number, title, and sponsor. Committee referrals are made at this time.

Second Reading - The measure is returned to the floor of the House with a committee report. Debate is limited to amendments.

Third Reading - The measure is before a house for debate and final passage on a roll call vote. Amendments cannot be made in third reading; the measure must be returned to second reading for an amendment.

**Referral** - The sending or referring of a bill or other matter to a committee or committees for consideration and report.

Reimbursable Services Agreement (RSA) - An agreement or contract between two state agencies (or between appropriations within one agency) where one agency provides a service and the other agency provides funds in payment for the service. An RSA is allowed only when the requesting agency does not have the skills, expertise, or capability to carry out the necessary work or service. See also Interagency Receipts.

**Repeal/Reappropriation** - Changes to a previously authorized capital project to reflect title change or purpose, or to utilize a lapse balance for a new project.

"'Resolution - Expression of the will, wish, or direction of the legislature. A resolution does not have the effect of law.

**Restricted Funds** – Appropriations that are restricted to the lower of the amount appropriated or the amount of revenue available for the activity.

Retirement System - The system administered by the Division of Retirement and Benefits in the Department of Administration which pays state employees for their service by providing them with monthly retirement payments . The retirement systems are: Public Employees Retirement System (PERS), Elected Public Officers Retirement System (EPORS), fireman-PERS, peace officer-PERS, the Teacher's Retirement System, (TRS), the Unlicensed Vessel Participant Annuity Retirement Plan (UVPARP), the Judicial Retirement System (JRS), and the National Guard and Naval Militia retirement system (NGNMRS).

**Revenue Bonds** - Bonds on which the principal and interest are to be paid solely from money generated by the project they finance.

**Revolving Fund** – Funds established in law in which revenue (including loan payments) is credited back to the fund for the same use as the original appropriation.

**Results Delivery Unit (RDU)** - A group of allocations or program activities combined to achieve a specific goal.

Revised Program - A request to adjust approved funding by line item or between allocations within an appropriation that must be approved by the Office of Management and Budget. A request for additional authorization to receive and expend funds beyond budgeted authority requires the approval of the Legislative Budget and Audit Committee. See Revised Program/Legislative (RPL).

#### Revised Program/Legislative (RPL)

- A request to increase budget expenditure authorization as a result of the availability of new or additional revenues from federal or other sources which are earmarked for specific uses and purposes. This type of Revised Program requires review by the Legislative Budget and Audit Committee.

**Session** - A meeting of the legislature; or the period during which the legislature conducts meetings for enactment of laws, between convening and final adjournment. The legislature convenes each year on the second Monday in January (except in the year

following a gubernatorial election, when it convenes on the third Tuesday in January). Each legislature has a duration of two years, consisting of the "First Regular Session" and the "Second Regular Session."

Special Appropriations - Certain situations arise that require state funding for a specific "special" purpose that was not recognized or included in the general appropriations bill. These requests could be for constituency requests, special studies, or special situations or purposes. Generally, these appropriations are of a one-time nature and are not included in the calculation of the agency's base budget.

**Special Session** - May be called by the Governor or by two-thirds vote of the Legislature and is limited to 30 calendar days. A special session called by the Governor is limited to the subjects presented by the Governor in the call.

**State Funds** - All non-federal funds except the Permanent Fund.

**Step** - A horizontal movement within a range across the salary schedule. There are ten steps within a range.

Summary of Appropriations - A publication produced by Legislative Finance Division following each legislative session that includes all appropriations bills passed by the Legislature and enacted into law. The publication provides summary reports for operating, debt service, capital, loans, supplementals, and special appropriations.

Supplemental - Authorization by the Legislature to spend or commit additional funds for the current or prior fiscal year to cover deficiencies. Deficiencies in funding for a program may be due to a law enacted after the transmission of the budget, public interest, audit exceptions, over-expenditure or anticipated over-expenditure, or other emergency or unforeseen circumstance. An agency must be able to demonstrate actions taken to run the program within the existing budget, the inability to transfer other funds within the department to cover the shortfall, and how the supplemental is in the best interest of the state.

Supplies - See Commodities.

**Tea 21** – The federal law that sets funding formulas for distribution of the federal transportation trust fund.

**Temporary Assistance for Needy Families (TANF)**– The federal program that replaced the Aid to Families with Dependent Children program when it was eliminated and replaced with passage of welfare reform in 1996.

**Tobacco Settlement** – Ongoing payments that are deposited into the state's general fund as a result of the tobacco settlement agreement reached in 1998. Eighty percent of Alaska's settlement is used to retire "tobacco bonds" and twenty percent is used for tobacco education and cessation programs.

**Transaction** – An individual entry into the Legislative Finance budget system, which produces appropriations bills. A transaction indicates fund source, amount, line item, and purpose for each entry.

**Travel** - Proposed transportation and per diem expenditures incurred while traveling on authorized State business and proposed expenditures associated with the moving or relocation of an employee. Line 200 on the allocation detail pages, Governor's Budget Request Books and Conference Committee Books.

**Unbudgeted RSA** - Usually a first-time or one-time contractual agreement between two state agencies (or between appropriations within one agency), including the University of Alaska and independent commissions, where one agency

provides a service and the other agency provides funds in payment for the service. The need for the specific service was not anticipated and, therefore, not included in the agency budget requests.

- **Uniform Rules** Rules adopted by both houses sitting in joint session, setting out uniform procedures for enacting bills into law and adopting resolutions; required by the Alaska Constitution, Article II, Section 12.
- Unit A group of people, things, places, or conditions which qualify a person or organization to receive a certain level of benefits (a term used in reference to a formula funded program).
- **Unrestricted Revenue** Revenue accruing to the state which has not been appropriated by the legislature as expenditures for a specific program. The revenue is credited to a fund and may be used for any purpose permitted by the fund. Departments report their unrestricted revenues in the detail budget books.
- **Vacancy Factor** The percentage by which personal services are purposely underfunded. Minimum and maximum vacancy factors are suggested by OMB and increase with the size of the allocation.
- **Wordage** Language that is inserted in the numbers section of the bill. Wordage in an appropriations bill is typically conditional language or intent language.

